



KUNSILL LOKALI HAL LIJA

36, VIDENZA, TRIQ IL-MITHNA, HAL LIJA

TEL NO : 21416111 FAX : 21416941

Director of Audit
National Audit Office
Notre Dame Revelin
Floriana FRN 1601

19th July 2023

Ref: LLC/July 01/23

Dear Sir,

REPLY TO MANAGEMENT LETTER DATED 13th JUNE 2023 FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2022

Reference is made to the Auditor's Management Letter dated 13th June 2023, which was received at the Council by post on the 27th of June 2023. In terms of Section P2.06P (d.02) of the Local Councils (Audit) Procedures 2006, on behalf of the Lija Local Council, we are presenting herewith the following comments on the points raised.

The Management Letter was brought before the Council for discussion during Council Meeting number 56 which was held on the 19th of July 2023. Consequently, the following comments were discussed and approved accordingly.

1. Previous management letter

The Local Council is pleased to note the positive observations of the Auditors on points 1.2 and 1.7 whereby the Council has taken measures to rectify issues related to accrued income and creditors statements. The other comments are being addressed below.

2. Income

The accountant has noted the auditor's proposed adjustments and correctly incorporated them in the audited financial statements.

The grants and schemes will be discussed in more detail with the accountant as they occur, to ensure similar instances are correctly accounted for in the future.

3. Fixed asset register

The fixed asset register, currently held on excel, is being set up on the Sage accounting package and this exercise will be finalized by end of year. The grants will also be included accordingly, Following completion, the Council will have an electronic Fixed Asset Register module and depreciation will start being calculated by the system as from the next reporting period.

4. Right of use asset

We have noted the auditor's proposed adjustment and it was correctly incorporated in the audited financial statements. We will take extra care to ensure such instances are not repeated in the future.

5. Trade and other receivables

We have noted the auditors comments. The Council shall continue trying to obtain settlement from these debtors and keep reminding them that the amounts have long been overdue.

6. Trade and other payables

6.1 We have noted the auditor's proposed adjustment and it was correctly incorporated in the audited financial statements. We will take extra care to ensure such instances are not repeated in the future.

6.2 The comments of the auditors have been noted. The council has no intention to render services with multiple legal representatives. The case the auditors are referring to, the one

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ongoing case the council has, has not been turned over to the current year representative due to its in depth nature. For the council it was best to keep the same council lawyer on this case who was already well informed about the case and also given that the case was coming soon near the end. It would have not been feasible and very time consuming if this case was turned over to the current year representative, in the last stages.

6.3 The first draft of the Financial Statements was prepared and approved on 15th February 2023, at which point the final Performance Bonus rate for the Executive Secretary had not yet been confirmed by the Director General of the Local Government Division. The accountant adopted the prudence concept and had temporarily applied the higher rate. Unfortunately, this instance may reoccur in the future and the Council is not at fault if future performance bonus rates are confirmed after the date of approval of the first draft of the Financial Statement provided to the Auditors.

7. Financial statements

- i. The Council does not presently have a documented policy for expenses. The auditors have not raised this point before and we will draft the accounting policy for expenditure and disclose it in the next Financial Statements accordingly.
- ii. The Council does not have any significant non-financial receivables and there is no point to disclose the financial and non-financial receivables separately in Note 11;

However, the accountant has noted the auditor's other comments and will ensure that all the disclosures required by accounting standards are included in future financial statements.

8. Deferred Income

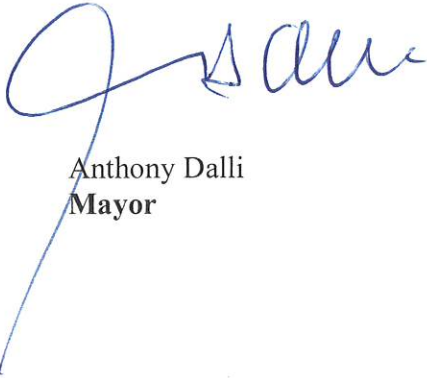
We have noted the auditor's proposed adjustment and it was correctly incorporated in the audited financial statements, subsequent to discussions and agreement between the Local Council, the accountant and the auditors. We advise that the Council is still chasing the contractor to provide us with the Performance Guarantee in order to release the retention monies.

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Conclusion

As a follow-up, the Council will seek to address all the issues raised in this year's management letter and any points still pending from the previous one. During the coming year, the Local Council will strive to further strengthen and improve its operations, controls and accounting records.

Thank you and best regards,



Anthony Dalli
Mayor



Pamela Seguna
Executive Secretary