

The Mayor
Marsaskala Local Council
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[DATE]

Dear Sir,

Financial statements for the year ended 31 December 2020

During the course of our audit for the year ended 31 December 2020 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Income from LES administration fees

We are pleased to note that the council rectified the issue during the year under audit.

1.2 Expenditure

We again noted instances where tenders exceeded the budgeted amount (refer to notes 3.14, 3.15 and 3.16).

We again noted various instances where the council is not adhering to the procurement procedures (refer to note 3.8).

Once again, we identified that the council failed to send the travelling report to the Department for Local Government (refer to note 3.1).

We again noted irregularities in the insurance policy coverage taken out by the council (refer to notes 3.18, 3.20, 3.22 and 3.24).

We still noted shortcomings in the rent expenditure (refer to notes 3.26 and 3.28).

1.3 Payroll

Once again, we noted irregularities in councillor allowances (refer to notes 4.1 and 4.3).



1.4 **Fixed assets**

We again identified discrepancies between the unaudited financial statements and the fixed asset register (refer to note 5.1).

The fixed asset register is once again lacking information as requested by the Local Councils (Financial) Procedures, 1996 (refer to note 5.7).

We are pleased to note that we did not identify any shortcomings in fixed asset additions.

1.5 **Trade and other receivables**

We again identified shortcomings in pre-regional LES debtors (refer to note 6.1).

1.6 **Trade and other payables**

The council is still not obtaining suppliers' statements at or near year-end (refer to 7.1).

Once again, we identified debit balances in the creditors' list (refer to note 7.3).

We are pleased to note that we did not identify any discrepancies in accrued expenditures.

1.7 **Council meetings and website uploads**

We still identified meetings which were held on a different date to what was agreed in the previous meeting (refer to note 9.5).

We still identified shortcomings in the schedule of payments (refer to notes 9.1 and 9.3).

The council did not upload all the required reports on the electronic site on time (refer to note 11.1).

2 Income

Income from Central Government

2.1 During the audit fieldwork, it was noted that the council recorded in its books of account a deduction of €120 for wifi from its Government allocation. From supporting documentation obtained, it was noted that no deductions were made during the year for Marsaskala local council. Therefore, an adjustment was proposed from our end to reverse this transaction.

2.2 We remind the council that the books of account should reflect the actual amounts received. This would ensure that the books of account show a true view of the situation.

Other Supplementary Government Income

2.3 From the statement which was obtained from WasteServ Malta Limited it was identified that on 31 December 2020, a payment of €34,269 was made by the Department for Local Government to WasteServ Malta Limited on behalf of the council for 2019 tipping fees. It was noted that this transaction was omitted from the council's books of account since the council was notified about this post year-

end. To this end, an audit adjustment was proposed to record this amount as income and reverse it from creditors.

- 2.4 The council should ensure that all payments made by the DLG to WasteServ Malta Ltd for tipping fees are accounted for in the council's books of account in the year in which they are received.

Other Government Income

- 2.5 On 30 April 2016, the council entered into an agreement with the Foundation for Social Welfare Services for the lease of the training centre to be used as a Leap Centre. It was noted that this agreement expired on 29 April 2019. The council does not have a renewed agreement.
- 2.6 We recommend that the council draws up a new lease agreement and this should be signed by both parties. This would ensure that each party is aware of the rights and obligations under the agreement.

General Income

- 2.7 Our testing revealed that the council recorded income from street furniture advertising amounting to €1,123 in the cultural activities account. An audit reclassification was proposed from our end to reclassify this amount to the advertising account.
- 2.8 We recommend that the council allocates its income to the appropriate accounts so that the amounts are properly reported.

Accrued Income

- 2.9 During the year, the council included as accrued income the amount of €1,015 which pertains to bank interest which as at year-end the council was still due to receive. Following a review of the BOV bank letter reply, it was noted that the accrued interest as at 31 December 2020 amounted to €713. This resulted in a difference of €302. Therefore, an audit adjustment was proposed to record the actual amount which the council was still due to receive at year-end.
- 2.10 We remind the council that the books of account should reflect the actual amounts received or still to be received. This would ensure that the books of account show a true view of the situation.
- 2.11 Furthermore, the council also recorded as accrued income the amount of €5,600 which the council is due to receive from WasteServ Malta Ltd for Christmas decorations. It was noted that the council does not have an agreement in place in relation to these funds. Due to this fact, and since as at the date of the audit fieldwork the council had not yet received the funds, there is no reasonable certainty that the council will receive these funds. Therefore, an audit adjustment was proposed to reverse this amount from accrued income. These funds should then be recorded as income if and when they are received by the council.
- 2.12 We recommend that the council records accrued income when the funds have been approved and the council is reasonably certain that the amounts are going to be received.

3 Expenditure

Travelling expenses

- 3.1 It was noted that during the year under review the mayor travelled to Israel. No travelling report was prepared for submission to the Department for Local Government. We were provided with the minutes of the meetings in which this trip was discussed, but no proof of submission to the Department for Local Government was provided.
- 3.2 The council is required to prepare travel reports for each project or event which the council or delegates attend and submit this to the Director for Corporate Services as required by MF/5/2012. The report should be submitted to the Department by not later than one month after the trip and should include the purpose of the visit and any remarks such as benefits achieved from such trips.

Petty cash expenditure

- 3.3 Throughout the audit we discovered that some petty cash expenses are not supported by itemised chits and petty cash vouchers. These instances are listed below:

Details	Supplier	Date	€
Consumables for workers doing bench	F. Caruana Bros	27.04.2020	17
Goods for council	Bargain Centre	26.05.2020	33

- 3.4 Furthermore, we have also identified the below instances of petty cash payments which were not supported by an appropriate petty cash voucher authorised by a local council official.

Details	Supplier	Date	€
Consumables	St Thomas Self Service	11.02.2020	38
Gloves and antibacterial	Mediatrix Pharmacy	09.03.2020	28
Goods for council	Bargain Centre	26.05.2020	33
Two mouse	Compeduc Computers	24.06.2020	20
Lock	T.M ironmongery	03.07.2020	16
Disposable gloves	F. Caruana Bros	13.10.2020	13
Consumables	St Thomas Self Service	26.11.2020	48

- 3.5 Directive 3/2017 and LN 269 of 2017 state that in cases where the supplier is unable to issue an itemised bill the council is required to fill in a petty cash voucher and include all details pertaining to the goods being purchased. Furthermore, the same legal notice states that all petty cash vouchers should be signed by the purchasers and the Executive Secretary. We recommend that, in cases where the supplier is not issuing itemised receipts, all the details are included in the petty cash voucher and signed as approval of the purchase.
- 3.6 It was also noted that the petty cash summaries do not include all necessary details, namely account numbers and supplier details. This lack of information renders it difficult to identify to which nominal accounts the expense should be allocated.
- 3.7 We recommend that the council includes account numbers in the petty cash summaries to ensure payments are correctly allocated in the books of account.



Procurement procedures

- 3.8 Our testing on cheque payments revealed that in the below instances the council did not obtain three quotations and no approval for a direct order was provided.

Details	Supplier	€
Blacksmith various works	Mr Giovanni Camilleri	2,783
Set-up fee 1 year demand online streaming	Correct Termination ltd	1,534
Paint	PMD Coatings	403
Laptop for Mayor	PC Options (SCAN)	549
Traffic Signs	Koperattiva Tabelli	1,016
Instant Road Repairs	Bitmac Ltd	340
Printing toners	OFICI (K.C. Abela A/C Office Point)	325
Windows 10 Professional	C-Planet IT Solutions Ltd	118
Stickers and Signs	TC Signs	747

- 3.9 In accordance with the Procurement Guidelines 2017 issued by the Department of Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive Secretary is issued.

Payment approval

- 3.10 Whilst performing testing on payments, we noted an instance whereby the payment was issued prior to being approved by the council. Details of the payments are as follows:

Supplier	Cheque no/Transfer ID	Cheque /Transfer date	Approval date	€
Mr Jimmy Muscat	15323	17.03.2020	28.03.2020	2,322
Marsaskala FC	TRS 95085034	11.09.2020	05.10.2020	3,000

- 3.11 May we remind the council that no payments should be made without the approval of council members. The above payments have only been authorised by the bank signatories, i.e. mayor and Executive Secretary who do not constitute a quorum of members. All councillors should be aware of payments and purchases made in the name of the council.

Tendering procedures

- 3.12 During the year under review, the council issued tender KLM 01/2020 for the services of street sweeping. We noted that the performance guarantee was not obtained within 15 days of receipt of the contract. Similarly, the council did not obtain the performance guarantee for tender KLM 2020/02 within 15 days of receipt of the contract.



- 3.13 May we remind the council that the General Conditions for Service Contracts V.2.0 states that the performance bond should be submitted to the council within 15 days of receipt of the contract.

Tenders exceeding budget amount

- 3.14 Whilst reviewing the opening minutes of tender KLM 2019/08 we noted that the council budget was €66,560. The cheapest bid submitted was for €88,000. This means that the accepted offer exceeded the budget by €21,440.
- 3.15 Similarly tender KLM 2020/01 had a council budget of €270,000. However, the awarded bidder offered €276,482, thus exceeding the council budget by €6,482.
- 3.16 Moreover, whilst tender KLM 2020/02 had a council budget of €320,000, the awarded bid amounted to €356,167. Therefore, the budget was exceeded by €36,167.
- 3.17 May we remind the council that the budget is prepared to control the income and expenditure of the council. Thus, diverting from the budget will result in cash constraints for other services.

Asset insurance

- 3.18 During our audit we identified the below discrepancies between the asset insurance cover and net book value of assets as per prior year audited financial statements:

Asset	Sum insured €	NBV in books of account €
Premises	16,116	-
Fixtures, fittings, plant, and machinery	21,590	21,459
Electronic and office equipment	53,210	-
Total	90,916	21,459

- 3.19 It is evident that some of the fixed assets are over/under insured. May we advise the council to perform at least an annual review of its insurance policy to ensure that the council's insurance coverage is in line with current legislation.
- 3.20 Whilst reviewing the insurance policy we also noted that the council is insuring property in the open, being Gnien Sant'Anna. This is in breach of Directive 3/2017 which states that community assets should not be insured.
- 3.21 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft, and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited financial statements. However, since a significant number of assets have a nil net book value, we recommend that the insurance at least covers the replacement value for assets.

Personal accident insurance

- 3.22 We noted that the council's combined insurance policy is covering instances of group personal accident on a worldwide basis instead of being limited to the



Maltese territories. Should a council member require to go overseas on council business a separate policy should be taken out for the specific trip. Worldwide coverage for all personnel travelling abroad on personal rather than business activities may be construed as a benefit in kind.

- 3.23 We recommend that the council updates the insurance policy accordingly to limit coverage to the Maltese islands.

Motor vehicle insurance policy

- 3.24 During the audit we noted that the councils' motor vehicle insurance only covers for 'third party fire and theft'. May we remind the council that as from 1 January 2018, motor vehicles should be insured on a 'fully comprehensive' basis.
- 3.25 We recommend that the council amends its insurance policy and ensures that the motor vehicle insurance is 'fully comprehensive' to be in line with LN 269 of 2017.

Rent

- 3.26 Whilst reviewing the expenses, we noted that the council has a rental agreement in place for the rent of the training centre, which lease term is from 1 May 2019 up to 30 April 2022. The council did not account for this using IFRS 16 'Leases'. Given that the amounts were not deemed to be material, no adjustments were proposed from our end.
- 3.27 We recommend that the council reviews all lease contracts in place and considers the impact of IFRS 16 'Leases' on the council's financial statements and adjust if the need arises.
- 3.28 Furthermore, the council's rental agreement of the garage and stores used by the local council expired on 28 February 2019. It was noted that the council does not have an updated agreement for the leasing of these premises. The landlord provides the council with an invoice on a half-yearly basis as well as with valid receipts with respect to the rent paid.
- 3.29 We would like to remind the council that Procurement Guidelines 2017 state that the council shall initiate all necessary preparations at least six months before the expiry date of the existing contract.

4 Personal emoluments

Councillors' allowances

- 4.1 During our audit fieldwork we noted that the council has erroneously classified the mayor allowance amounting to €2,400 in the honoraria account. We have proposed audit adjustments to include this amount with the councillors' allowances.
- 4.2 We recommend that the council classifies councillor allowances separately from the honoraria.
- 4.3 Furthermore, it was also noted that the council has erroneously recorded in the mayor's honoraria account the amounts of €192 and €1,390 pertaining to Executive Secretary tax and an adjustment to the clerks' salary, respectively. We have proposed audit adjustments to record these amounts with employees' salaries.

- 4.4 We recommend that the council allocates its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

5 Fixed assets

Reconciliation of fixed asset register to unaudited financial statements

- 5.1 We identified differences between the net book value of certain assets in the fixed assets register and the net book value in the financial statements. These are summarised below:

Asset category	NBV in unaudited	NBV in	Difference
	financial	Fixed assets	
	statements	register	
	€	€	€
Urban improvements	108,513	108,114	399
Plant, machinery and equipment	10,224	10,872	(648)
	118,737	118,986	(249)

- 5.2 Upon further analysis of the above discrepancies between the fixed asset register and the unaudited financial statements, we noted that the amortisation for computer software amounting to €365 was included with plant and machinery in the fixed asset register. No adjustment was proposed since the amounts were properly accounted for in the books of account.

- 5.3 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and reclassified accordingly. Furthermore, we also recommend that the council ensures that the fixed asset register is updated, with the categories in the fixed asset register tying up to both the financial statements and the nominal accounts. This will ensure that the net book value of both tangible and intangible assets of the fixed asset register, financial statements and books of account agrees.

Reconciliation of financial statements to accounting records

- 5.4 We identified several differences between the net book value of certain asset categories in the financial statements and the net book value in the nominal ledger. These are summarised below:

Asset category	NBV in	NBV in nominal	Difference
	unaudited	ledger	
	financial		
	statements		
	€	€	€
Construction works	187,758	187,013	745
Urban improvements	108,513	109,260	(747)
Plant, machinery and equipment	10,224	10,277	(53)
	306,495	306,550	(55)

- 5.5 It was noted that the council recorded the amount of €745 in 'urban improvements' instead of 'construction works'. It was further noted that the council recorded €47 in 'plant, machinery and equipment' instead of 'computer software'. An audit

adjustment was proposed in this regard to record amounts in the appropriate asset categories. No further adjustments were proposed since no explanation for the remaining difference was obtained due to the immateriality of the amount.

- 5.6 We remind the council that any variances between the assets disclosed in the unaudited financial statements and the nominal ledger need to be investigated and adjusted accordingly.

Details of fixed asset register

- 5.7 When reviewing the fixed asset register, we noted that certain details like invoice numbers, location and suppliers' details are missing. For example:

Asset category	Asset code	Description	Purchase date	Net book value €
Urban improvements	KLM001489	Benches Green MT 2014	31.03.2016	2,088
Office furniture & fittings	KLM001156	Filing Cabinet 3 drawers	09.02.2010	151
Construction works	KLM001344	KLM001223	23.07.2010	3,552
Construction works	KLM001338	Decorative Kerbs 5 decorative	05.04.2012	172
Urban Improvements	KLM001607	lanterns LED	05.11.2020	5,130

- 5.8 We recommend that every possible effort should be made to complete the fixed asset register to include at least all the following:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code
- Cost
- Depreciation rate
- Location of the asset
- Grants received

- 5.9 An updated fixed asset register enables the council to exercise proper control over the council's property, plant, and equipment. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is updated with all relevant details.

- 5.10 Upon reviewing the council minutes, we noted that the council was given a defibrillator through a donation. It was noted that the asset was not included in the fixed asset register.

- 5.11 We recommend that the council includes the asset as part of the fixed asset register. The fixed asset register should mirror all the fixed assets that the council holds and therefore, even though it was obtained through a donation, the asset should still be included in the register.

Grants

- 5.11 On 8 October 2016 the council entered into an agreement with the Department for Local Government for the receipt of Capital Projects Funds, which were to be used for the construction of the local council administrative offices. As indicated in the project application, this project had to be completed by 2018. On 29 November 2019, the council signed an extension to the agreement up to 30 November 2020. It was noted that this extension was not signed by the Department for Local Government. As at year-end the project was still ongoing, however the council did not obtain any further extensions.
- 5.12 We recommend that the council contacts the Department for Local Government so that the agreement is signed by both parties. We reiterate that this would ensure that all parties are abiding by the contract and that they are aware of what their rights and obligations are. Furthermore, the council should seek to obtain a further extension to the agreement, since this would ensure that the Department is aware that the project is not yet finalised. In this manner the council will obtain comfort that it will still receive the remaining funds.

Depreciation of fixed assets

- 5.13 It was noted that whilst the depreciation charge total agreed between the unaudited financial statements, fixed asset register and books of account, the council recorded an additional €118 in the 'office furniture' category. This should have been recorded in the 'plant, machinery and equipment' category. An audit reclassification was proposed from our end in this regard.
- 5.14 We recommend that the council records the depreciation charge in the correct accounts so that the charge per category in the books of account agrees with what is being reported in the financial statements.

6 Trade and other receivables

Pre-regional LES debtors

- 6.1 We noted that the movement in tribunal pending payments in report 622 amounted to €752. This contrasts with the amount of payments made during the year amounting to €531, as indicated in report 483 for pre-regional contraventions.
- 6.2 The above cast doubts on the integrity of the data being generated from the Loqus IT system. Therefore, we recommend the council takes the matter up with Loqus to determine why the balance is fluctuating.

Long outstanding balances

- 6.3 Whilst reviewing receivables we noted the following overdue balances which were not provided for in the books of account:

	€
Green MT	2,040
Media Trends	3,494
WasteServ Malta Limited	17,019
Water Services Corporation	268
	<u>22,821</u>

- 6.4 We recommend that the council regularly reviews overdue receivables for recoverability. If their recoverability is doubtful, the council should consider making a provision for all amounts after obtaining the approval of the council in meetings. Furthermore, the council should send continuous reminders / statements to its debtors to ensure that it still has the right to collect the amounts due.

7 Trade and other payables

Suppliers' statements

- 7.1 During the course of our audit we noted that the council did not manage to obtain monthly suppliers' statements or year-end statements for all suppliers.
- 7.2 We recommend that the council obtains monthly statements from all suppliers to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

Debit balances in creditors' list

- 7.3 The council's creditors' list at the end of the year includes debit balances amounting to €1,782. Details of the debit balances are presented below:

Debtor	€
ARMS Limited	909
CAT Bros	858
DOI- Department of Information	15
	<u>1,782</u>

- 7.4 We recommend that the council investigates all debit balances in the creditors' list since they may arise from overpayments or omitted invoices. In addition, these balances should also be disclosed separately with other receivables rather than set off against trade creditors. This was properly reflected in the financial statements but not reflected in the books of account. In this regard an audit reclassification was passed to agree the books of account with the audited financial statements.

Long-outstanding creditors

- 7.5 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€
Oasis Ironmongery	16
WasteServ Malta Ltd	487
	<u>503</u>

- 7.6 We recommend that the council reviews these amounts and either settles them if still due, or else, reverses them after having obtained approval during council meetings. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Confirmation of creditor

- 7.7 During the audit fieldwork it was noted that as per creditors' list, the council had a balance of €44,298 due to WasteServ Malta Ltd at year-end. The balance as per WasteServ Malta Ltd statement amounted to €10,029. This resulted in a difference of €34,269. Upon enquiry, it was identified that a payment of €34,269 was made by the Department for Local Government to WasteServ Malta Ltd on behalf of the council for 2019 tipping fees. It was noted that this transaction was omitted from the council's books of account since the council was notified about this post year-end. To this end, as discussed in point 2.3 an audit adjustment was proposed to record this amount as income and reverse it from creditors.
- 7.8 May we remind the council that circular 2/2019 points out that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

8 Bank and Cash

Cash at bank

- 8.1 Whilst testing cash at bank, we encountered a difference of €1,920. Following enquiry with the council, it was noted that during the year the council erroneously recorded permit receipts twice. An audit adjustment was proposed in this regard.
- 8.2 We remind the council that bank statements must be obtained and reconciled frequently to ensure that proper accounting records are being kept.
- ### **Bank transfers**
- 8.3 During the audit fieldwork it was noted that payments via bank transfers were being affected by a local council employee without obtaining prior approval from the Mayor and Executive Secretary.
- 8.4 We remind the council that Directive 04/2020 states that the Mayor and Executive Secretary should approve each payment which is affected via bank transfer. Whilst local council employees may prepare the transactions, these still must be approved by the Mayor and Executive Secretary. Therefore, we recommend that the council abides by Directive 04/2020.

9 Council meetings

Schedules of payments

- 9.1 We identified an instance whereby, whilst cheque 15522 was included in the schedule of payments, upon testing it was noted that this cheque was in fact cancelled.
- 9.2 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the Executive Secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We also recommend that if a cheque payment is cancelled this should be approved and properly indicated on the schedules of payments. The cancelled cheque should be retained as evidence of its cancellation. Furthermore, during 2020 the council adopted directive 4/2020 which enables the council to make online payments. We encourage the council to include payment date and transfer reference in the schedules of payments.

- 9.3 Furthermore, we also noted that whilst the council approved the schedules of payments during meetings, it was not always clearly indicated which schedule of payments was being approved.
- 9.4 We recommend that the council includes the schedule of payments reference in the minutes to ensure that all schedules of payments have been presented and approved.

Meeting regulations

- 9.5 We observed that the date for meeting 10/2020 was set for 16 March 2020 but in fact the meeting was held on 27 March 2020. Similarly, meeting 15/2020 was set for 17 August 2020, but the meeting was held on 10 August 2020. Furthermore, meeting 19/2020 was set for 16 December 2020 but the meeting was held on 17 December 2020.
- 9.6 According to the Local Councils (Meeting) Procedures, 1996 at the end of every meeting the council must set the next council meeting which shall be fixed. If no unanimous agreement is reached, the councillors are to vote and decide according to the majority. This shall not be changed for any reason. Therefore, we recommend that these requirements are followed.

Binding of minutes

- 9.7 We observed that the minutes of the council are not hard bound at the end of each financial period or legislature.
- 9.8 We reiterate our recommendation from previous management letters stating that, at the end of each council's financial year, the Executive Secretary arranges for the previous year's minutes to be bound as further reference will be required from time to time in accordance with the Local Councils (Office) Procedures, 1996. This bound copy should be given due importance since it serves as the only permanent, unchangeable record of all council meetings and decisions taken.

10 Financial statements

Presentation of financial statements

- 10.1 We would like to point out that in accordance with the Department's communications and instructions, councils shall prepare their financial statements in conformity with International Financial Reporting Standards. The council's unaudited financial statements diverge from this requirement in the instances noted below:
- i. In note 2, 'Leases', was not updated in accordance with IFRS 16.
 - ii. In Note 6, 'General Income', the council included the amount of €70,485 as income from permits. In the books of account this amounted to €70,980.
 - iii. Furthermore, the total administration and other expenditure amounted to €260,016 in the books of account, whilst the amount included in the unaudited financial statements is €260,309.
 - iv. Due to the issues discussed in the above two points, the profit for the year in the unaudited financial statements amounted to €75,901 whilst the profit as per books of account amounted to €76,688.
 - v. Moreover, whilst the net book value of the property, plant and equipment in the unaudited financial statements amounted to €587,462, the unadjusted net book value in the books of account amounted to €587,804. Similarly, the net

- book value of the intangible assets in the unaudited financial statements amounted to €647, whilst the unadjusted figure in the unaudited financial statements amounted to €600.
- vi. In note 11 'Property, Plant and Equipment', the council stated the amount of €19,138 in the unaudited financial statements as the depreciation charge for urban improvements. The depreciation charge in the books of account amounted to €18,852. Consequently, the net book value for this category was stated incorrectly in the unaudited financial statements, and likewise the net book value total.
 - vii. In note 12, 'Receivables', the council disclosed in the unaudited financial statements the amount of €2,282 as other receivables. The unadjusted figure in the books of account amounted to €497.
 - viii. Moreover, in note 13, 'Cash and Cash equivalents' the council stated bank balances amounting to €1,005,937 in the unaudited financial statements. The unadjusted figure in the books of account amounted to €1,006,436.
 - ix. In note 14, 'Payables', the council recorded payables amounting to €155,958 in the unaudited financial statements. The unadjusted balance in the books of account amounted to €154,177.
 - x. Similarly in note 14, the council stated accruals amounting to €54,847 in the unaudited financial statements. The unadjusted figure in the books of account amounted to €54,850.
 - xi. In the Cashflow Statement, the council should make reference to note 13, 'Cash and Cash equivalents'.
 - xii. In note 17, 'Financial Risk Management', the council failed to include the bank ratings in note 17 'Financial Risk Management' as required by IFRS 9.
- 10.2 We recommend that the council gives more attention to the preparation of the financial statements.
- 11 Electronic website**
- 11.1 During our audit work we noted the following shortcomings in relation to the electronic site:
- i. The council did not upload schedule of payments 9 and 16 within three days after approval.
 - ii. The council failed to upload the quarterly financial reports for the year within the required timeframe. Furthermore, it was also noted that that the uploaded documents were not signed.
 - iii. The council failed to upload the 2019 – 2024 business plan.
 - iv. The council uploaded the 2019 annual administrative report however this was not signed.
 - v. The council uploaded the 2019 audited financial statements however, these were not uploaded on time.
- 11.2 This contravenes the Local Councils (Financial) Procedures which mandate specific timelines for these reports and minutes. We recommend that the council uploads all documents in pdf within the required time. Furthermore, the council should indicate as signed all documents uploaded as confirmation that the uploaded documents have been approved and are the correct ones.

12 Uploading of management letter and other documents

- 12.1 During our audit fieldwork, we noted that the council has uploaded the 2019 Management Letter and reply in full in accordance with Circular 21 of 2019.
- 12.2 We would like to remind the council of the recent General Data Protection Regulations as indicated to councils in SPI 7/2018. Councils should be mindful that there are restrictions on transmitting/ publishing information regarding personal data. Therefore, certain documents should be carefully scrutinised to ensure that they do not contravene GDPR prior to uploading on the website. This is also highlighted in Circular 7 of 2019 which states that names of third parties not directly connected with the operations of the council should not be published.
- 12.3 We therefore recommend that the council contacts the Department for clarification of this contradiction.

13 Reports

Comparison with the annual budget

- 13.1 We noted that some expenditure incurred in 2020 exceeded the budgeted amounts as follows:

	Actual €	Budget €	Difference €
Expenses			
Personal emoluments	218,466	213,222	5,244
Operations and maintenance	609,587	684,550	(74,963)
Administrative and other expenditure	259,898	163,245	96,653
	1,087,951	1,061,017	26,934

- 13.2 We recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure that expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budgeted figures as required by the Financial Regulations.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Mr Josef Grech and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,