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11th December, 2021

National Audit Office
Notre Dame Ravelin
Floriana FRM 1600
Malta

Dear Ms. Mercieca

AUDIT REPORT AND FINAL STATEMENTS

PERIOD ENDED 31ST DECEMBER 2020

1 **Previous Management Letter**

1.1 **Tagging of fixed assets**

The Local Council will do its utmost to begin tagging its fixed assets (where applicable) on its premises to be in line with Local Councils (Financial) Procedures, 1996.

1.2 **Pre-Regional receivables**

The Local Council will be making sure that report 622 is generated as at 31st December in order to have a more accurate balance re pre-regional receivables.

1.3 **Adoption of IFRS 9**

This is being referred to Local Council's accountant.

1.4 **Accrued Income**

This is also being referred to Local Council's accountant.

1.5 **Cash and cash equivalents**

The council is very pleased to note the auditors' remarks in this section.

1.6 **Trade payables**

The Local council do try its utmost to obtain supplier reconciliation but most of the suppliers are not in a position to provide the council with a statement. Nonetheless the Council will continue requesting these statements.

The Local Council will be referring the debit balances in the creditors list to the local council accountant.

1.7 Procurement of expenses

The Local Council will be making sure to raise purchase orders and obtain three quotations (where possible).

1.8 Payroll

Kindly please note that the difference of 1 Euro is immaterial however will be ensuring that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commission of Revenue.

1.9 IFRS 16 Leases

This is being referred to the Local Council's accountant.

1.10 Various with budgeted figures

The council notes the auditors' remarks in this section.

2. Income

Government allocation

2.1 As indicated in the report the Local Council has approved the audit adjustment and adjustment has been incorporated in the audited financial statements.

2.2 This is also being referred to the Local Council's accountant.

Other Government Income.

2.3 As indicated in the report the Local Council has approved the audit adjustment and adjustment has been incorporated in the audited financial statements.

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2.5 This is also being referred to the Local Council's accountant.

2.6 & 2.7 General Income

Kindly please note that it is not always feasible to deposit the general income twice weekly as income generated by our council is minimal and time in question due to pandemic income generated was even less than normal.

2.8, 2.9, 2.10 & 2.11 This is being referred to the Local Council's accountant and adjustments have been incorporated in the audited financial statements.

2.12 The Local Council will do its utmost to ensure that transactions are properly allocated to the correct account.

- 2.13 & 2.14 The Local Council will do its utmost to ensure that all contracts entered are signed by both parties to ensure that contract is binding.

Income from Les administration fee

- 2.15 Invoices for income generated from Les administration fees and report 483 are both generated by Loqus and the Council has no control on these invoices.

Custodial receipts

- 2.17 The Local Council will endeavour to deposit all custodial receipts of Lands Department and Les fines on a more timely basis.

Accrued Income

- 2.19 This is being referred to the Local Council's account and adjustments have been made accordingly.

- 2.20 and 2.21 Point taken.

- 2.22 This is being referred to the Local Council's accountant and adjustments have been made accordingly.

3 Expenditure.

Reimbursements

- 3.1 The Council adhoc agreed to reimburse two personnel for utilising their personal vehicle when conducting work on behalf of the Local Council. It is a reimbursement of fuel and wear and tear **of their vehicle.**

Procurement procedures

- 3.3 Already commented in item 1.7

Petty cash purchases

- 3.6 This is being referred to the Local Council's accountant.

- 3.7 The Local Council will be providing the recommended analysis of all petty cash expenses.

Tendering Procedures

- 3.9 The Local Council confirms that we shall be address the issue regarding date on tender contract, signature of the opening minutes, third evaluator and signature of the executive secretary.

Expired Contracts

- 3.12 The Local Council will be issuing a new call for accountancy services in year 2022 and the street sweeping contract has been issued in 2021.

Asset insurance

- 3.15 The Local Council will be reviewing its insurance policy in order that insurance covers only net book value of assets insured. However the local council does not agree with this comment

especially when NBV is 0 and there is no need for replacement then the Council will not be covered by any insurance at all.

Personal accident insurance

- 3.18 The Local Council will be updating the insurance policy to cover the personal accident insurance for its employees and councillors.

IFRS 16 'Leases'

- 3.20 This issue is being referred to the Local Council's accountant.

Wages and salaries

Declaration of councillors' allowances and mayor honorarium

The Local Council will be addressing this issue and the four councillors will no longer be reported as Part Time Gross Emoluments and will also take the auditors advice and start including the mayor's allowance with the councillors' allowance.

Fixed assets

- 5.3 Tagging of fixed assets and upkeep of fixed asset register

Already commented in item 1.1

Upkeep of fixed asset register

Already commented in item 1.1

Additions to fixed assets

I totally disagree with auditors comments regarding this item as:

Agius Stone Works

E and L Enterprises Ltd and

Archit Works

These three suppliers Safi Local Council has issued a tender on epps in 2019

Nexos Street Lighting

This supplier we have a joint tender with Regjun Nofsinhar.

Regarding payments not listed on schedule of payments, we will be making its utmost to enter each payment in Schedule of payments.

European Agricultural Fund for Rural Development 2014-2020 measure 19.2

The Local Council does not agree with this clause as during this Audit the way to treat Grants on Capital Projects have been changed in particular as regards Gnién Sir Alexander Ball.

- 6 **Trade and other receivables**

Already commented in item 2.15 income from les administration fee

6.3 Confirmation of trade receivables

The Local Council is looking into the matter and will carry out the necessary adjustments.

Long outstanding balances

The Local Council will look into the matter and if any will carry out the necessary adjustments.

Income from Lesa administration fees

The Council will make its utmost to issue invoices in the first week of the month.

7 Bank and cash

LC Other Entities Account

The Local Council has already adopted the new system to be in line with Directive 05/2020.

8 Trade and other payables

Suppliers' statements

The Local Council do try its utmost to obtain supplier reconciliation but most of the suppliers are not in a position to provide the Council with a statement. Nonetheless the Council will continue requesting these statements.

Long outstanding creditors

The Local Council will be investigate the long outstanding creditors and take the necessary action.

Debit balance in creditors' list

The local council have already paid in full the amount due to AllSec and Gardania. The Local Council will be investigating the amount due to Arms Limited and take the necessary action.

Deferred Income

The local council agrees that the amount of 5,797.20 had to be transfered from deferred income however kindly please note that these funds were not received from EU funds but from Department for Local Government.

Unrecorded liabilities

The Local Council take note and audit adjustment has already been made.

Council meeting

Schedules of payments

The Council will make its utmost to enter each payment in schedule of payments even cancelled cheques and payroll.

11.3 to 11.8 Points taken

12 Uploading of documents

Electronic site

Points taken for all sub items however item

- vi Local Council could not upload management letter for 2020 as have received audited financial statements and management letter in October 2021. (copy of management letter attached)

Uploading of management letter and other documents.

The Local Council will be taking the auditors recommended and contacts the department for clarification regarding GDPR prior to uploading on the website.

Council meetings

Length of meetings

- 13.1 Safi Local Council will be making its utmost to begin the local council meeting after 5:30pm.

Meeting regulations

- 13.3 Even though these local council meeting lasted more than three hours it is always by mutual agreement and in order to finish agenda list.

14 **IFRS 9**

This is being referred to local council's accountant.

It is very important to note that we will be doing our utmost to work on the shortcomings pointed in the Management Letter, so as to have a better situation this financial year end.

We take this opportunity to thank for their guidance and co-operation.

Regards

Iffirmati

Johan Mula

Mayor

Iffirmati

Doris Baldacchino

Executive Secretary