



Nadur Local Council

12th May 2016

The Director
Department for Local Government
26 Archbishop Street
Valletta

Dear Sir

Re: Management Letter – Financial Year 2016

In response to the management letter received by the Nadur Local Council from the auditor, RSM Malta, we would like to remark the below:

1. Follow-up to Last Year's Report.

It is satisfactory to note that practically most of the issues noted on the audit of 2015 were resolved during the year 2016. The issues remaining will be referred to in this year's response.

2. Property, plant and equipment.

With respect to the fixed asset register, during the year, several efforts were made to reconcile the fixed asset register in its entirety to the accounts. In fact, the cost as per fixed asset register was matched to the cost as per accounts. However, with respect to depreciation, it was very difficult to identify which of the individual fixed assets needed to be corrected since in the audit adjustments, the depreciation for the whole category is corrected and not the individual item. A query to this effect was also made to the auditors, in that a breakdown of all adjustments to depreciation was requested as from year 2013. However, the auditors confirmed that they do not hold details of the depreciation on each individual item adjusted since audit adjustments are applied to a whole category of fixed assets. Thus, since the depreciation as per fixed asset register is not in line with the accounts, it follows that the net book value will also not agree since the net book value is calculated as the cost less depreciation.

MAYOR

Edward Said (MSc Finance)

COUNCILORS

Eucharist Camilleri Deputy Mayor, Dr. Josianne Cutajar (LL.B., Dip. Not., LL.D. Melit.),
Michael Camilleri, Dr. Rita Mifsud (B.A. LL.D.)

EXECUTIVE SECRETARY

Sue Ellen Bugeja

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To this effect, however, since as from 1 January 2018, as instructed by the Department of Local Government, the depreciation method will be changed from reducing balance method to straight line method, the Nadur Local Council will seek to line its fixed asset register to the accounts once this change comes into force.

3. Receivables.

With respect to receivables, no provision for doubtful debts was provided for since all debtors existing as at 31 December 2016 were deemed to be fully receivable by the Local Council. In fact, all debtor balances held as at year end 2016 were confirmed with the respective customers.

4. Bank and cash.

The Nadur Local Council noted the payment of expenses from petty cash which exceeded the threshold limit of Euro 23.29 and will seek in the future to avoid reoccurrence of such fact.

5. Payables.

For the year ended 31 December 2016, care was taken to try to provide for all expenses relating to 2016 which were not expensed by the respective suppliers as at year end. The over-accrual of Euro 3,920 related to the tender for open skips which was terminated in October 2016 and by oversight such expense was still provided for in accruals for the months of November and December 2016.

With respect to performance bonuses for year 2016, these were not provided for since the approval of such bonuses was not yet obtained and exact amounts were not yet known up till deadline of submission of financial statements. However, in the future, the Local Council will try to provide an estimate for such performance bonuses in accruals.

6. Income.

The Nadur Local Council will give greater attention to ensure that monthly LES administrative fees are duly invoiced and that such monthly invoices match with the annual report generated from the LES system which shows the total administrative fees due to the Local Council for the whole year.

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7. Expenditure and Tenders.

The discrepancies between actual and budgeted figures, whereby actual expenditure exceeded the budgeted expenditure, as pointed out in the management letter, are being acknowledged. However, it should be pointed out that such excesses are compensated against other line items where budgeted expenditure exceed actual expenditure. In addition, the Nadur Local Council is investing a lot of effort to carry out good budget forecasts and to try and regulate its expenditure in accordance to such forecasts.

8. Personal Emoluments.

During the year ended 31 December 2016, a new program was adopted by the Local Council for the calculation of wages and FSS tax and social security payments. Such program reduced the incidence of errors. The difference between gross emoluments and employer's share of national insurance contributions as mentioned in the management letter were all explained through reconciliations and related mainly to over/under accruals in final settlement system tax and national insurance contribution for December 2015 which were automatically reflected in financial statements for 2016.

8. Financial Situation Indicator and Liquidity.

It is important to point out that the net liability position of the Nadur Local Council does not arise from the day-to-day operations of the Council but from prior year capital projects which were not adequately financed. However, the current administration is continuously seeking to address this deficit situation. In fact, a positive movement can be identified both in the financial situation indicator and in the statement of financial position when comparing the results for 2016 to prior years.

SIGNED
Edward Said
Mayor

SIGNED
Sue-Ellen Bugeja
Executive Secretary

cc: Auditor General, National Audit Office

RSM Malta

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