



Nadur Local Council

5th June 2023

The Director
Department for Local Government
26 Archbishop Street
Valletta

Dear Sir

Re: Management Letter – Financial Year 2022

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.

The issues mentioned in the 'Follow-up to Last Year's Report', which were still present in the 2022 report, will be referred to in this year's response.

2. Property, Plant and Equipment.

With respect to the identification and correct classification of property, plant and equipment, the Local Council always pays great attention in this respect. However, the Local Council will seek to ensure that a greater effort is made so that all property, plant and equipment are recognised in the correct category and in accordance with the accounting policies as outlined in the financial statements.

With respect to the fixed asset register, the Local Council would like to point out that such register was in effect handed over to the auditors during the audit. The Nadur Local Council was able to regularize its fixed asset register in accordance with Directive 01/2017 as from 1st January 2018. In fact, as from this date onwards, all fixed assets are listed item by item in the fixed asset register and included with all requested details.

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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2. Property, Plant and Equipment. - Continued

It is good to point out that the Nadur Local Council always requests the letter from the architect as at the end of the year in order to identify finished and ongoing capital projects. However, it may occur that due to the deadline for submission of the financial statements, this letter is not always received in time to meet these deadlines. As a result, any necessary adjustments may not be able to be reflected in the financial statements prior to the audit. The Nadur Local Council will seek to try to obtain the architect's letter in a timelier manner.

3. Payroll

With respect to payroll, all workings requested were presented to the auditors during the audit. According to our knowledge and workings there were no discrepancies in payroll which were unexplained. In fact, annual reconciliations between the payroll costs as per accounts and the costs as per FS7 are always carried out by the Nadur Local Council.

4. Income

The Nadur Local Council always pays great attention to the correct posting of transactions in the correct nominal ledger. However, the Local Council will seek to ensure that a greater effort is made in this respect.

4. 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. It should be pointed out that 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.

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5. Financial Situation Indicator.

It is important to always keep in mind that the net liability position of the Nadur Local Council does not arise from the day-to-day operations of the Council but from capital projects. Prior to the year 2020 these capital projects related to ones which were not adequately financed by prior administrations. Then, in 2020, variations in relation to a project undertaken for Rural Roads also contributed to such deficit. However in spite of this, the Local Council through a lot of attention and exploitation of each opportunity for alternative finance managed to repay these variations whilst at the same time addressing the older debts. In fact, as pointed out in the management letter, it is true that the financial situation indicator is negative and that the Local Council has a deficit position in absolute terms.

However, the essential point in this regard should be that the Local Council is doing its utmost to manage and repay its deficit whilst at the same time maintaining its day-to-day activities, annual events and also managing to be innovative and carrying out capital projects by acquiring alternative sources of finance.

In fact, in spite of the unexpected variations mentioned above, the Nadur Local Council ended up the year 2022 with a financial situation indicator of negative 3.86% (Year 2021: -4.54%), being a slight improvement from the previous year whilst at the same time maintaining the same level of activity as prior to COVID-2019. The Council remains committed to continue taking measures which will lead to further decreases and consequently improve its financial position.

SIGNED
Edward Said
Mayor

SIGNED
Sue-Ellen Bugeja
Executive Secretary

cc: Auditor General, National Audit Office
RSM Malta

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