



Kunsill Lokali

SAN PAWL IL-BAĦAR

**Reply
to
Management Letter**

Audit 2020

**Triq San Pawl, San Pawl il-Baħar,
SPB 3411 Malta, Europe**

sanpawlil-bahar.lc@gov.mt, Tel: 21585888

AG. *RS*



KUNSILL LOKALI SAN PAWL IL-BAĦAR LOCAL COUNCIL
Triq San Pawl, San Pawl il-Baħar, SPB 3411 Malta, Europe

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22nd October 2021

SPB Ref: 55/0496/21/OMS
NAO Ref:107/2015/55

National Audit Office
Notre Dame Ravelin
Floriana FRN 1601

To Auditor General

Dear Sir/ Madam

Re. Management letter for audit of the year ended 31st December 2020

In terms of Section P2.06 (c.02) the Local Council (Audit) procedures 2006 we hereby attach a copy of the management letter by the Local Government Auditors whilst including hereunder Council's comments on observations made as stipulated in Section P2.06 (d) of the same procedures. The Council received the management letter dated 2nd August 2021 in connection with the annual audit of the Council's financial records for the year ended 31st December 2020. Consequently the following comments were discussed and approved during the Council Meeting No 37 held on the 21st October 2021

1.4 General income

The council failed to provide us with an agreement for the recharges made to the Malta Tourism Authority (refer to note 2.8).

Council Reply: The Agreement is drafted but some amendments are under discussion

We again noted that the council does not always deposit general income on a timely basis (refer to 2.10).

Council Reply: Deposits are done according to the Security Company Days which on normal circumstances are twice a week. However last year there was an issue with the banks and Lesa because they were not accepting coins plus the office was not accepting cash for a long period of time as payments were made online due to Covid-19. Due to these circumstances the deposits were being made once a week to reduce costs. The Council pays a fee to the security company for collection, hence if there was no presence of sufficient cash it was pointless to deposit twice a week.

We are pleased to note that income from organic waste was accounted for in the correct account.

1.6 Reconciliation of wages between FS5's and books of account

We again noted a discrepancy between the wages accounts and personal emoluments found in the FS5 forms (refer to note 3.1).

Council Reply: Recommendation noted

1.7 Reconciliation between FS7 and FS5

We again noted a small difference between the FS5's and FS7 submitted to the Commissioner for Revenue (refer to note 3.3).

MS A.G.



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Council Reply: Recommendation noted and the Council will be investing in software to minimise such errors.

1.9 Payment of overtime

We again noted payments made for overtime prior to obtaining approval in council meeting (refer to note 3.5).

Council Reply: There is an approval by Council which goes back several years when the Councils started operating also on Saturdays. It was agreed that the staff who works on Saturdays are paid as overtime. The Council has regularized the issue furthermore through an approval by Council during Council Meeting no 25 held on 5th November 2020

1.10 Councillor excuse letters

During the year under review the council failed to obtain formal excuse letters from councillors excused from council meetings (refer to note 3.7).

Council Reply: All excuse letters were presented to Auditors, however one Councillor had sent the excuse notification through a whatsapp msg, hence not considered as formal.

1.12 Procurement procedures

The council failed to obtain quotations and issue purchase orders for all purchases made during the year (refer to note 4.1).

Details	Supplier	€	Note
Land surveyor at Triq l-Erba			
Mwiezeb Housing Estate	Caruana Dejan	2,000.00	(c)

Council Reply: An RFQ was issued and only one reply received

Water bowser services during			
May 2020	S. Caruana Water Supplies	1,180.00	(b)

Council Reply: An RFQ was issued and only one reply received

Professional fees for tenders			
Evaluations	Ciantar Robert W.	1,168.20	(c), (d)

Council Reply: This service is related to Mr Ciantar's role as part of the Tenders Evaluation Board. This appointment is appoved by Council. For these services no purchase order is issued

Demolition hammer & cordless drill	G & T Imports Limited	1,777.00	(a)
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Council Reply: These items were stolen from Council Van so had to be purchased immediately

Repairs to local council garage shutter	Kenneth Darmanin	986.48	(a), (d)
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Council Reply: Supplier and service provider Kenneth Darmanin Ltd is the same company who installed the shutters therefore when maintenance is required the Council refer to same company for aftersales and parts. Due to the nature and urgency of repairs no purchase order could be issued.

Manhole covers & maintenance works	Mallia Mario	2,118.63	(e)
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Council Reply: The purchases and services provided by Mario Mallia were not related to same subject. One invoice related to the purchasing of Bins and another related to the services manhole covers and maintenance.

- (a) The council failed to obtain quotations.
- (b) The council obtained only one quotation.
- (c) The council obtained only two quotations.
- (d) No purchase order was available.
- (e) During the year under review the supplier issued invoices to the council amounting to €8,069.70. The council failed to issue a call for quotations services purchased during 2020 in accordance with the Procurement Guidelines.

1.14 Expired contracts

The council is still making use of the expired contracts (refer to notes 4.5 and 4.7).

SPBLC 001/2013 Christian Galea – cleaning and maintenance of non-urban areas 25.02.2016 (a)

SPB T/04/2016 Sergio Borg – handyman services 27.11.2019 (b)

- (a) Invoices issued by the supplier during 2020 amounted to €6,516.30. A Call for tender was issued in 2020 however, to date of audit fieldwork the tender was still in appeal stage.

Council Reply: The invoices paid to Christian Galea were related to a Request for Quotation that was issued and awarded to Christian Galea being the cheapest complaint bidder. As noted by auditors the Tender is still at appeal stage.

- (b) Invoices issued by the supplier during 2020 amounted to €18,430.50. To date of the audit fieldwork no call for tender was issued.

Council Reply: The Council stopped making use of the services from Tender SPB T/04/2016 at the end of October 2020.

1.15 Tendering procedures

We again noted shortcomings in the tendering procedures (refer to note 4.9).

SPB T/01/2019 Street sweeping services in the locality of San Pawl il-Baħar, using environmentally friendly practices. (a) The council did not obtain the performance guarantee within established timeframe.

Council Reply: Point noted

SPB T/03/2020 Tender for hiring, installation, maintenance and dismantling of Christmas decorations in Bugibba - locality of San Pawl il-Baħar. (b) The contractor did not submit a performance guarantee from the bank but instead provided a cheque to the council.

Council Reply: Point noted. The Council will communicate with contractors to rectify the matter.

1.16 Insurance policy

When reviewing the insurance policy, we still noted a discrepancy between the insurance cover and NBV included in prior year audited financial statements (refer to note 4.11).



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Council Reply: Auditors have mentioned again stock of wine, spirits and tobacco when Council does not keep such stock. List stated in the Audit report to be reviewed.

1.18 Contract manager

The council failed to appoint a contract manager in accordance with Directive 03/2019 (refer to note 4.14).

Council Reply: Tender has been published and contracted

1.19 Twinning agreement

We again identified a shortcoming in the twinning agreement (refer to note 4.16).

Council Reply: The Agreement stopped since communication and follow up by both parties stopped

1.20 Majjistral Action Group membership

The council did not specify the benefits obtained from the membership paid in the Majjistral Action Group (refer to note 4.18).

Council Reply: Recommendation Noted

1.21 Tagging of fixed assets

The council has again failed to tag fixed assets in accordance with the Local Councils (Financial) Procedures, 1996 (refer to note 5.1).

Council Reply: Recommendation Noted

1.22 Upkeep of fixed asset register

The fixed asset register does not include all the necessary details (refer to note 5.3).

Council Reply: to be eliminated this year

1.23 Classification of assets

The council failed to address the issue during the current year (refer to note 5.6).

Council Reply: Recommendation noted

1.24 Reconciliation of financial statements with accounting records

We again noted difference between the fixed asset register and amounts included in the books of account (refer to note 5.8).

Council Reply: Recommendation noted

1.25 Additions to fixed assets

The council failed to obtain the architect certificates from Infrastructure Malta for the assets under construction (refer to note 5.11).

Council Reply: A number of reminders has been sent to Infrastructure Malta however certification has not been forwarded to Council.

1.27 Obsolete assets



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We again noted assets that are not in good condition in the fixed asset register (refer to note 5.14).

Council Reply: These assets will be written- off

1.28 Intangible assets – reconciliation of financial statements to fixed asset register

We again noted difference between the fixed asset register and amounts included in the books of account (refer to note 6.1).

Council Reply: Recommendation noted

1.29 Stock insurance

The council failed to insure the stock of booklets and books (refer to note 7.1).

Council Reply: This stock is included in other contents point 4.11

1.30 Net realisable value of inventory

No movement took place during the year under review. The council has to reassess the value of stock (refer to note 7.3).

Council Reply: Recommendation noted

1.32 Pre-regional LES debtors

We still encountered differences between the Loqus report (622) and the books of account (refer to note 8.1).

Council Reply: Recommendation noted

1.38 Supplier statements

The council is still not obtaining supplier statements from all its suppliers as at yearend (refer to note 10.1).

Council Reply: In instances when a suppliers account is nill the Council doesn't request a statement, however to ensure a best practice a statement will be sought.

1.39 Long outstanding creditors

The council did not investigate all long outstanding creditors as recommended in the prior year's management letter (refer to note 10.5).

Council Reply: The issue was brought before the Council and a decision was taken.

1.40 Confirmation of trade creditor

We again noted differences between the council books and creditor confirmation letters (refer to note 10.9).

Council Reply: To be reconciled in 2021

1.41 Alternative procedures on creditors

When performing alternative procedures on creditors we noted a number of discrepancies which were not resolved (refer to note 10.12).

Council Reply: The Council has discussed the matter and will address all the discrepancies.



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1.43 Refundable deposits

The council failed to investigate all long outstanding refundable deposits as recommended in the prior year's management letter (refer to note 10.19).

Council Reply: The Council has refunded the last deposit that amounted to 1000 euro in July 2020, otherwise the Council only holds deposits of 230 euro which are also deposited immediately in Council account and reimbursed when works are certified.

1.49 Length of meetings

The council did not specify the start time and end time during meeting minutes (refer to note 13.3).

Council Reply: The Council Minutes do indicate a start time and end time

1.50 Approval of minutes

We again noted that the council is not approving meeting minutes in the subsequent meeting (refer to note 13.5).

Council Reply: These Minutes are related to the time when the COVID -19 pandemic started therefore there was a bit of an upheaval in the method of the sitting of Council meeting therefore the approval of minutes of these meetings was delayed.

1.52 Electronic site

The council's electronic site is not updated in accordance with the Local Council Procedures (refer to note 14.1).

Council Reply: The Council was uploading the documents according to the link provided by DLG however the uploads could not be viewed by the public. After a meeting held with DLG about the matter it transpired that the link was not functioning. The situation has been resolved and documents are available for the public.

1.53 Publishing of council documents and other matters

The council did not upload the management letter and reply to the management letter (refer to note 14.3).

Council Reply: The matter has been remedied.

1.54 Schedule of payments

We again noted shortcomings in the presented schedules of payments (refer to notes 15.1 and 15.3).

Council Reply: Comments stated in point 15.2 and 15.3 are incorrect as schedule of payments are approved and endorsed by Mayor, Executive Secretary, proponent and a seconded by Councillors present. This maybe checked on the Council's website.

1.55 Comparison with the annual budget

We again identified a shortcoming when comparing actual expenditure with the budgeted figures .

Council Reply: The comparison of the actual expenditure with the budgeted figures is included in the Financial Situation Report according the Local Government Template



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1.56: Specimen chart of accounts

We again noted that the Council is not using the specimen chart of accounts that is mandated for local for Local Councils

Council Reply: The Council utilises the template of the DLG added on new nominal codes that was required by the SPB Council

5.22 Testing on fixed asset additions revealed the following irregularities for the below

listed purchases:

Details	Supplier	€	Note
CCTV cameras tal Ghassalejn playing field	KSL Limited	1,379.66	(a), (b), (e)

Council Reply: Supplier is erroneously indicated as KSL ltd when the supplier name should be Gokker Ltd. Futhermore an RFQ was issued

Outdoor gym	Gokker Limited	4,484.00	(a)
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Council Reply: An RFQ was issued and documents sent to Auditors

CCTV camera	Alert Security	1,605.00	(a), (b)
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Council Reply: Procurement process done by MTA and reimbursed by MTA

Outdoor gym equipment	Opal Limited	5,900.00	(a)
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Council Reply: An RFQ was issued and documents sent to Auditors

Laminating machine	CSD Office Supplies	164.02	(a), (b)
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Council Reply: Existing RFQ still on going and documents sent to Auditors

Microwave oven	Top Choice	139.01	(a), (b)
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Council Reply: Direct Order, purchase approved by Council

Mobile phone Samsung	A20E Tablets & More	165.00	(a), (b)
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Council Reply: Direct Order, purchase approved by Council to be used by Supervisor

13 Tablets for councillors	Tablets & More	2,847.00	(a)
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Council Reply: RFQ issued and sent to Auditors purchase approved by Council

Saw with Honda engine	Bonnici Stores Ltd	885.00	(a)
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Council Reply: RFQ issued and sent to Auditors

Generator	Bonnici Stores Ltd	1,075.70	(a)
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Council Reply: These items were stolen from Council Van so had to be purchased immediately

Demolition hammer	G & T Imports	1,314.00	(a)
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HB A.G.



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Council Reply: These items were stolen from Council Van so had to be purchased immediately

- (a) The council failed to obtain quotations
- (b) No purchase order was available.

(c) Invoice was dated in 2019 however not recorded in prior year Council Reply: No note (c) exists in the above notes therefore cannot reconcile with what is being stated

5.23 In accordance with the Procurement Guidelines 2017 issued by the Department for 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.

Conclusion

The Council is adment to ensure correctness of procedure and value the necessity of the Annual Audit to ensure good governance. Hence the Council would like to thank the appointed Auditors for highlighting areas that require improvement of procedure.

Cordially

Mariella Strout
Executive Secretary

Alfred Grima
Mayor



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