



Grant Thornton

An instinct for growth™

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Our ref MB/mf/85220

8 October 2020

Dear sir,

Financial statements for the year ended 31 December 2019

During the course of our audit for the year ended 31 December 2019 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 Local Enforcement System

We again noted that the council failed to obtain the audited financial statements for the North Joint Committee (refer to note 2.1).

1.2 LES Post Regional 10% commission

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

1.3 Income recognition

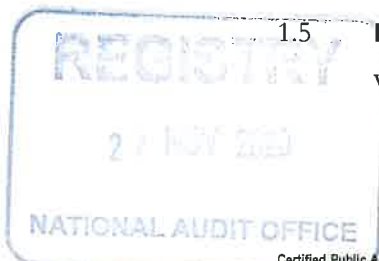
We again noted instances where the council failed to classify income in the correct account (refer to notes 2.4).

1.4 Income recognised on a cash basis rather than on an accrual basis

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

1.5 FSS statutory documentation and reconciliation with the nominal ledger

We again found a difference in the wages' reconciliation (refer to note 3.1).



1.6 Payroll shortcomings

The council failed to account for all bonuses with the list of accruals (refer to note 10.22).

1.7 Tendering & procurement procedures

We again noted shortcomings in the tendering procedures. The council is still utilising expired tenders (refer to note 4.8).

1.8 Inappropriate expenditure documentation

We again identified an instance where the service provider has not provided the council with a VAT fiscal receipt in terms of the VAT Act (refer to note 4.1). We have also noted purchases for which no purchase order was issued by the council (refer to note 4.3).

1.9 Twinning project

We again identified a shortcoming in the twinning agreement (refer to note 4.23).

1.10 Re-imburement to employees

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

1.11 Expenditure recognised on a cash basis rather than on accrual basis

We did not encounter any expenditure accounted for on a cash basis.

1.12 Expenditure for organisation of events

We did not identify shortcomings in the expenditure for organisation of events.

1.13 Approval of cheque payments

We noted one instance where the council failed to approve the payment prior to issuing the cheque (refer to note 4.6).

1.14 Rental agreement and rental recognition

The council failed to obtain a signed rental agreement for all properties rented out by the council (refer to note 4.10).

1.15 Upkeep of the fixed asset register

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

1.16 Tangible fixed assets tagging

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

1.17 Reconciliation of asset categories in fixed asset register to nominal ledger/ financial statements

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

1.18 Depreciation

The fixed asset register still includes assets which are not being classified in the correct category (refer to notes 5.6).

- 1.19 **Capital expenditure incorrectly accounted for**
We did not identify items in expense accounts which should have been capitalised.
- 1.20 **Insurance policy**
The council's assets are still not being appropriately insured (refer to note 4.16).
- 1.21 **Capitalisation of tangible fixed assets**
During the year under review the council has capitalised road resurfacing and patching works without an architect certification (refer to note 5.13).
- 1.22 **Assets under construction**
We again noted shortcomings in assets under construction (refer to note 5.14)
- 1.23 **Variance in the NBV of intangible assets**
The council failed to reconcile the difference in NBV between the fixed asset register and financial statements (refer to note 6.1).
- 1.24 **Trade debtors' overdue balances**
The council did not address the issue of long-outstanding debtors (refer to notes 8.3).
- 1.25 **Prepaid expenditure**
We did not identify any irregularity in prepayments.
- 1.26 **Accrued income regarding road resurfacing / Thallassalejn Project**
The council failed to address the issues during the year under review (refer to notes 8.12 and 8.14).
- 1.27 **Accrued income with respect to Wasteserv tipping fees refund**
We are pleased to note that the council has rectified the issue during the year under review.
- 1.28 **Pre-regional receivables**
We noted certain irregularities between the gross carrying amount of LES debtors and the reports generated from the LES system (refer to note 8.1).
- 1.29 **Council's bank accounts**
We are pleased to note that the council has cleared from its nominal ledger bank accounts which have been closed down in prior years.
- 1.30 **Bank account held with Central Bank**
We are pleased to note that the council has rectified the issue during the year under review.
- 1.31 **Cash deposits**
We regret to note that the council is not depositing receipts as required by the Procedures (refer to note 2.12)



1.32 Petty cash payments

We again noted instances where the petty cash vouchers are not being signed by the executive secretary (refer to note 4.1).

1.33 Supplier balances

The council failed to reconcile balances recorded in the creditors list and amounts confirmed by third parties (refer to notes 10.5 and 10.7).

1.34 Accrued expenditure

We have again noted shortcomings in accruals (refer to notes 10.19, 10.21 and 10.22).

1.35 Long outstanding creditors

We have again noted long outstanding creditors in the books of account (refer to note 10.3).

1.36 Debit balances in creditors list

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

1.37 Long-term payables to supplier of road surfacing works

The council failed to differentiate between short and long-term payments for the PPP payables (refer to note 10.24). The council also failed to discount to present value long-term liabilities (refer to note 10.26).

1.38 Financial statements presentation

We have again identified shortcomings in the presentation of financial statements (refer to notes 12.1 and 12.3).

1.39 Publishing of council documents and other matters

We also noted that the council failed to upload documents within the stipulated time frame (refer to note 14.1). The council did not upload the management letter and reply to the management letter (refer to note 14.3).

1.40 Opening balances

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

1.41 Membership in Majjstral Action Group

The council did not specify the benefits obtained from the membership paid in the Majjstral Action Group (refer to note 4.27).

1.42 Comparison with the annual budget

We again identified a shortcoming when comparing actual expenditure with the budgeted figures (refer to note 16.1).

1.43 Mid-term audit

The council did not require a mid-term audit during the year as there was no change in executive secretary.

2 Income

Income from Joint Committee

- 2.1 We noted that the North Joint Committee, of which San Pawl Il- Baħar local council formed part up to 31 August 2011, has not provided the council with recent audited financial statements.
- 2.2 In the absence of the audited financial statements of the Joint Committee, we were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.
- 2.3 We recommend that the council queries this issue with the Department for Local Government and tries to obtain audited financial statements to ensure whether the council has any amounts which are still due to it.

Supplementary Government income

- 2.4 The council has classified accrued income of €3,509.57 from the Department for Local Government in accordance with the scheme 'Financial Initiatives – Local Government Culture Fund 2018 – 2020' with respect to the Wignacourt Tower Festival as 'supplementary Government income'. We proposed an audit adjustment to reclassify this amount to 'other Government income'. The adjustment was correctly included in the audited financial statements.
- 2.5 The council should ensure that transactions are properly allocated to the correct account.

Other Government income

- 2.6 When testing other Government income, we noted that the income statement account has an opening balance of €1,143.10. Upon further investigation we established that this account has been carried forward in the income statements since 2017. The council noted that erroneously in prior years this account was marked in the accounting system as a balance sheet account rather than income statement account. This error was corrected by the council during the current year and €1,143.10 was recorded as an income for the year. We did not propose a prior period adjustment due to immateriality.
- 2.7 We recommend that council carefully establishes whether the accounts in the books are of a balance sheet or income statement nature to avoid similar situations in the future. Furthermore, income should be reported in the correct accounting period.

General income

- 2.8 When testing general income, we noted that the council recognised an amount of €461.16 as income from recharges made to Malta Tourism Authority for the 50% of water and electricity usage of the sub-office. During the audit fieldwork the council failed to provide an agreement for the recharges made.
- 2.9 We advise the council that obtaining and retaining signed copies of all the contracts is of vital importance.
- 2.10 In the unaudited financial statements the council has classified income from organic waste collection amounting to €187,867.24 in 'general income' instead of allocating it to 'other Government income'. We proposed an audit adjustment to reallocate



the above amount to 'other Government income'. The audit adjustment was approved by the council and incorporated in the audited financial statements.

- 2.11 We recommend the council to disclose all income received from Government, which is not part of the annual allocation, as other Government income, unless otherwise directed by the Department for Local Government.

Custodial receipts

- 2.12 During our audit fieldwork we noted that in certain instances the council failed to fulfil its obligation to deposit income received on a timely basis, namely:

Description	Receipt number	Receipt date	Deposit Date	€
Crane permit	25474	06.09.2019	10.09.2019	15.00
Crane permit	26434	25.10.2019	29.10.2019	60.00

- 2.13 We recommend that the council deposits cash twice weekly, primarily to comply with the Local Council (financial) procedures but also for security purposes.

3 Personal emoluments

Reconciliation of wages between FS5s and books of accounts

- 3.1 During the audit we noted a discrepancy of €214.31 between the wages account and personal emoluments found in the FS5 forms sent to the Commissioner for Revenue (see appendix 1).

- 3.2 The council should ensure that all FSS forms agree to the payroll expenditure in the accounts. Furthermore, the council must ensure that amounts payable to the Commissioner for Revenue are correctly declared.

Reconciliation between FS7 and FS5s

- 3.3 We noted a difference of €13 between the FS5s and FS7 submitted to the Commissioner for Revenue. No reconciliation was provided to us during the audit (see appendix 1).

- 3.4 We recommend that all wages paid by the council are correctly reported to the Commissioner for Revenue.

Commissioner for Revenue payments

- 3.5 During the year under review we noted that the council failed to submit the payment on time for the October FS5 to the Commissioner for Revenue.

- 3.6 The council must submit FS5s and remit FSS tax and NI to the Commissioner for Revenue by the last working day of the month following that during which the council has paid the emoluments. The council should abide by the applicable laws and rules to avoid legal action and unnecessary penalties.

Payment of overtime



- 3.7 We have again noted that a payment of €11,604 was made to employees with respect to overtime. This payment was made prior to obtaining approval in council meetings.
- 3.8 We recommend that the council monitors the working of overtime and ensures that overtime is duly justified, approved, and documented before issuing payment.

Councillors' excuse letters

- 3.9 When reviewing the excuse letters presented by council members, we noted that in meeting 82 and 9-1 a councillor failed to provide a formal excuse letter however he was still excused from attending the meeting.
- 3.10 We recommend that the council obtains written letters of excuse. Following discussion as to acceptance or otherwise, letters should be attached to the minutes. We remind the council that memos and circulars state that a valid reason should be presented in writing to the council.

4 Expenditure

Petty cash vouchers

- 4.1 We have noted that the following cash payments are supported by petty cash vouchers, which were not signed by executive secretary:

Details	Supplier	Date	€
Hire of taxi to and from Christmas party for executive secretary	E-Cabs	01.02.2019	47.00
Hospitality goods for local council office	Maypole	01.04.2019	15.62
Hire of taxi from Luqa to local council	Taxi Service	24.04.2019	25.00
Hospitality goods for local council office	Chocaholic	02.07.2019	16.13
Stationery	Brooklyn	27.11.2019	11.60
Hospitality goods	Chocaholic	28.01.2019	8.71
Fresh flowers for Our Lady of Sorrows week	Flowers by Phyllis	10.04.2019	12.00
Air freshener refills	G&G Detergents	21.06.2019	7.20

Furthermore, the council failed to provide us with a tax invoice/VAT receipt with respect to hire of taxi from Luqa to San Pawl il- Baħar local council.

- 4.2 We remind the council that all petty cash vouchers should be signed by the purchaser and the executive secretary. This is in accordance with Directive 3/2017



and LN 269 of 2017. Furthermore, the council must obtain a tax invoice/ VAT receipt duly addressed to the council for all payments issued by the council.

Procurement procedures

4.3 Testing on cheque payments revealed the following irregularities for the below listed purchases:

Details	Supplier	€	Note
Father Christmas and van with driver for 5 days and rent of tent	Scerri Maria	700.00	(a)
Uniforms for local council staff	Jon David Limited	1,890.31	(a), (b)
Provision of consultancy services in relation to drafting of tenders	European Funds Info Limited	5,074.00	(a), (b)
Catering during Paulus 09.02.2019	Neriku catering	1,397.39	(a), (b)
Supplies for maintenance of Tal-Vecc playing field	Jonstor Ironmongery	1,912.34	(a), (b)
Summer carnival mementos	Alka Ceramics	896.80	(a)
Pavement works at Triq Qalbita Gesu	Bartolo Lauro	1,500.00	(a)
A1 water based free standing boards	Printing Dome	1,486.80	(a)
Reimbursement of costs for the Malta International Folk Festival 2019	Leon Promotions	2,500.00	(a)
Repairs to public convenience	Borg Andrew – A&H Installations	2,992.45	(a), (b)

(a) The council obtained only one quotation.

(b) No purchase order was available.

4.4 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.

4.5 May we also remind the council that the purpose of a purchase order is to confirm in writing the order for goods or services from third parties. The purchase order is the evidence of the council's approval for a proposed purchase or service. Upon receipt of the invoice, this should be checked and matched to the purchase order, with any discrepancies referred to the supplier.



Payment approval

4.6 Whilst performing tests on cheque payments we noted an instance where a cheque was issued and encashed prior to being approved by the council:

Supplier	Cheque no.	Cheque date	Approval date	Encashment date	€
Wood Koysie	18682	27.03.2019	24.04.2019	02.04.2019	1,976.50

4.7 We remind the council that cheque payments must be approved by the council in the meeting prior to issuing the cheques. This procedure minimises the risk of unapproved purchases or uncertified work.

Expired contracts

4.8 We noted that the council continued to use expired contracts during the year under review. The council kept on making use of the services as per old terms and conditions. The following are examples:

Tender number	Details	Date of expiry	Notes
SPBLC 08/2012	WM Environmental – refuse collection	05.09.2015	(b)
SPBLC 012/2013	SSCS Street Cleaning Services – road and street sweeping	25.02.2016	(c)
SPBLC 001/2013	Christian Gaea – cleaning and maintenance of non-urban areas	25.02.2016	(d)
SPBLC 008/2013	Saviour Mifsud – cleaning and maintenance of soft areas	20.06.2016	(e)
SPBLC 06/2014	Antoine Fenech - bulky refuse	09.11.2017	(a)
SPB T/04/2016	Sergio Borg – handyman services	27.11.2019	(f)

- (a) Call for tender was issued in 2018 and a new contract was signed in January 2019.
- (b) Call for tender was issued in 2018 and a new contract signed in March 2019.
- (c) Call for tender was issued in 2019 and a new contract signed in February 2020.
- (d) Call for tender was issued in 2020.
- (e) Call for tender was issued in 2018 and a new contract signed in February 2019
- (f) To date of audit fieldwork no call for tender was issued.

4.9 We would like to remind the council that the Procurement Guidelines 2017 issued by the Department for Local Government state that the council should start preparing for a new call for tenders ahead of the expiry date of existing contracts for those expenditure exceeding €10,000.

4.10 During the audit we noted that the council is still making use of an expired contract for the rental of the 'Leli Garage' in Patri Wistin Magro Street, Burmarrad, San Pawl il-Bahar. This expired on 12 August 2012. We were not provided with the new agreement. In accordance with the expired contract the total rent for the garage is

€4,015 per annum, however the amount recorded in the books is €3,825. The council explained to us that the amount recorded in the books of account is based on the invoice received, which state the actual amount which is being paid to the landlord.

- 4.11 We recommend that the council should obtain a contract for all properties being rented out by the council. This will ensure that the rights and obligations of each party are clear, and that the rate charged is in accordance with the agreement.

Tendering procedures

- 4.12 Our audit revealed that during the year under review the total invoices received from Bad Boy Cleaners amounted to €20,815.20. This expenditure was not supported by a call for tenders.
- 4.13 We recommend the council adheres to Procurement Guidelines, 2017 which states that councils are required to make a call for tenders for expenditures above €10,000.
- 4.14 During the year under review we also noted the below shortcomings to tendering procedures:

Tender no.	Details	Note
SPB T/11/2018	Provision of bulky refuse collection using low emission vehicle for the San Pawl il-Bahar Local Council.	(a)
SPB T/03/2018	Service tender for the collection of household waste from the locality of San Pawl il-Bahar, using low emission vehicles.	(b)
SPB T/01/2019	Street sweeping services in the locality of San Pawl il-Bahar, using environmentally friendly practices.	(c)
SPB T/02/2019	Provision of services for the cleaning, opening and closing of public conveniences in the locality of San Pawl il-Bahar using environmentally friendly cleaning products.	(d)
SPB T/09/2019	Resurfacing and patching of roads, construction of footpaths and pavements in the locality of San Pawl il-Bahar.	(e)
SPB T/05/2019	Purchasing of EV Van for LC works, tipper van diesel and EV vehicle (lot 1).	(f), (g)
SPB T/05/2019	Purchasing of EV Van for LC works, tipper van diesel and EV vehicle (lot 3).	(a)

- (a) The council did not obtain the performance guarantee within established timeframe.
- (b) The accepted offer which amounted to €1,162,240, excluding VAT, exceeded the established council's budget which was initially set at €350,000.
- (c) The opening of tender document was signed only by one of opening staff.
- (d) The contractor did not submit a performance guarantee from the bank but instead provided a cheque to the council which is being kept at the council's premises.



- (e) The council failed to publish an advert in Government Gazette.
- (f) The council failed to obtain performance guarantee of 4%.
- (g) The contract was signed by the supplier only and not by the council.

4.15 Procurement Policy note 22 states that the council should obtain a performance guarantee of 4% for purchases with a value between €10,000 to €500,000 and a 10% guarantee for purchase above €500,000. We remind the council that in accordance with General Conditions for Service Contracts V.2.0 the performance bond should be submitted to the council within 15 days of receipt of the contract. May we also 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. The council should ensure that the opening of tenders document is signed by all the opening staff in conformity with the ePPS Guidelines. In accordance with Part XII article 12.1 of Procurement Guidelines the council shall give notice of its intention to issue a tender by publishing a notice in the Government Gazette. It is essential for the council to make sure that all contracts which are entered into are signed by all the necessary parties thus ensuring that the contract is binding for both parties to the agreement. It also ensures that each party is aware of its rights and obligations under the agreement.

Insurance policy

4.16 During our audit we identified the following discrepancies between the asset insurance cover and net book value of assets included in the prior year audited financial statements:

Asset	Sum insured €	NBV €
Buildings	895,000	-
Office furniture, fittings and equipment	21,500	16,488
Insurance on 12 months' rent	18,600	-
Community assets	102,502	-
Plant and machinery	8,800	3,434
Christmas decorations	40,000	-
Stock of wine, spirits and tobacco	100	-
	1,086,502	19,922

4.17 It is evident that the above fixed assets are over 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. Furthermore, we also noted that the council is insuring property in the open. This is in breach of Directive 3/2017 which states that community assets should not be insured.

4.18 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. We recommend that the insurance at least covers the replacement cost of the assets.

IFRS 16 'Leases' assessment

- 4.19 Whilst performing our audit procedures we noted that the council recorded a rent expense amounting to €29,023.85 in the books of account in relation to four properties leased by the council. The council failed to assess and account for the leases in accordance with IFRS 16.
- 4.20 We recommend that the council performs an IFRS 16 assessment to establish whether the council should account for the rent expense in accordance with IFRS 16 accounting treatment. In accordance with the new standard, at lease commencement date, the council should recognise a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The council should depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of, the end of the useful life of the right-of-use asset, or the end of the lease term. The council should also assess the right-of-use asset for impairment when such indicators exist. At the commencement date, the council should measure the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. After initial measurement, the liability should be reduced for payments made and increased for interest.

Contract Manager

- 4.21 We noted that during the year under review the council did not appoint a contract manager in accordance with the directive 03/2019.
- 4.22 Directive 03/2019 states that the council had to appoint a contract manager by 31 December 2019.

Twinning agreement

- 4.23 During the audit fieldwork we enquired the council whether the latter has any twinning agreements in force and the council confirmed that there is no such agreement. However, in prior year the predecessor auditors noted in the management letter that the council has a twinning agreement with Agios Pavlos in Tesseloniki.
- 4.24 We recommend the council to establish whether the council has entered into any twinning agreement in prior years and to obtain a copy of the agreement, if applicable. Furthermore, at the end of each financial year the council shall prepare a report to DLG stating the results and benefits of twinning agreement, even in the case that the council did not incur such expenditure during the year under review.
- 4.25 We also noted that during the year under review the council incurred €734 with respect to a trip made by the Youth Council to Ayia Napa. The council did not sign a twinning agreement with this city.
- 4.26 May we remind the council that in accordance with the Local Councils (Twinning) Regulations before initiating a twinning process the council must submit a report to the Department stating the objects and reasons of the proposed twinning and an



estimate of the expenditure for the activities related to the twinning. After the approval by the DLG the agreement shall be signed.

Majjstral Action Group membership

4.27 The council’s membership expenditure account includes an amount of €929 relating to a membership fee paid to Majjstral Action Group. The council failed to obtain a copy of the audited financial statements as at 31 December 2019.

4.28 We recommend that as members, the council obtains the audited financial statements from Majjstral Action Group so the council would be able to assess the cost/benefit of this membership.

5 Fixed assets

Tagging of fixed assets

5.1 We noted that the council’s assets are not tagged (where applicable). This is in breach of the Local Councils (Financial) Procedures, 1996.

5.2 We recommend that the council tags its fixed assets, where applicable, as soon as possible. This would enable individual assets to be identified and their physical existence verified with the plant register.

Upkeep of fixed asset register

5.3 During the audit fieldwork we noted that assets in the fixed asset register had generic names such as laptops, swings with chain, grey paving, gym and phone.

5.4 The fixed asset register should at least include the following details:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation method and rate
- Location of the asset
- Grants received

5.5 We suggest that the council updates its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation and hence the correct net book value.

Classification of assets

5.6 During the year under review we noted that certain fixed assets are not being classified under the appropriate fixed asset category. For example:

Asset category	Asset code	Description	Net book value €
Computer equipment	CEQU048	Photo camera	75.94
Office furniture and fittings	FURN055	Stainless steel flag pole	70.67



5.7 Once again, we suggest that the council updates its fixed asset register and allocates assets appropriately. This would ensure that the council is calculating depreciation using the appropriate depreciation rate and thus showing the correct net book value.

Reconciliation of financial statements to fixed asset register

5.8 During our audit fieldwork, we noted that the fixed asset register does not agree to the unaudited financial statements. The following is a summary of the differences:

Category	NBV in fixed asset register €	NBV in financial statements €	Difference €
Urban improvements	71,013	53,511	17,502
Construction works	760,605	854,238	(93,633)
Special programmes	579,479	370,543	208,936
	1,411,097	1,278,292	132,805

5.9 The council failed to provide an explanation for the above-mentioned differences. Whilst reviewing the 2018 management letter we noted that the predecessor auditor noted that the differences were a result from the application of Directive 1/2017 whereby the NBV was adjusted for including deferred income and depreciation was recalculated based on the remaining useful life of the asset.

5.10 Circular 1/2020 states that council should ensure that the fixed asset register agrees to the nominal ledger and hence the financial statements. To this end we reiterate our recommendation to the council to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register.

Additions to fixed assets

5.11 Whilst reviewing fixed assets we found that the council has capitalised an amount of €29,825 payable to Nextbike. Upon reviewing the agreement, we noted that the council has paid the above amount as a one-time financial contribution. The same agreement specifies that the Nextbike stations shall remain the property of Nextbike Malta. The council has also accounted for depreciation of €2,485 for the same asset. To this end we have proposed audit adjustments to account for the payment as an expense and reverse its depreciation. The council has included this adjustment in the final set of financial statements.

5.12 The council should not capitalise costs which are of an expense nature. IAS 16 states that the asset purchased should provide future service potential. In this case, the expense was incurred as a one-time contribution of which no economic benefits or service potential could be obtained. Furthermore, we recommend the council should obtain approval from DLG prior to making such contributions.

5.13 During the year under review we noted that the council has capitalised €500,000 for resurfacing and patching works of various roads. We were only provided with the memorandum of understanding and respective invoice for the above works. The council failed to obtain an architect certification prior to issuing payment to the supplier and capitalising works in the financial statements. Furthermore, the council failed to distinguish between patching and resurfacing works. We have proposed an audit adjustment to reclassify the amount as asset under construction. This will be then capitalised once the council obtains the architect certification. We have also proposed an adjustment to reverse an amount of €4,167 which was accounted for as

depreciation for the same assets noted above. The council has amended the financial statements to include our audit adjustments.

- 5.14 Furthermore, the council has received €22,200 from Regjun Tramuntana for the tarmac scheme. The grant received was utilised against works carried out by Infrastructure Malta as noted in note 5.13. The council included the grant addition with special programmes in the unaudited financial statements. The cost of the asset was then included in the construction category. Due to the adjustment noted in note 5.13 we have proposed another adjustment to reclassify the grant received with assets under construction. This adjustment has been correctly incorporated in the audited financial statements.
- 5.15 We recommend that prior to issuing payments the council obtains all necessary documentation and invoices to establish the correct treatment in the council's books of account. May we remind the council to obtain and review architect's certificates to establish whether the above costs should be expensed as patching works or capitalised as resurfacing costs.

European Agricultural Fund for Rural Development 2014-2020 Measure 4.3

- 5.16 Whilst performing audit procedures on fixed assets additions we noted that the council capitalised additions amounting to €515,223 pertaining to works in Triq Ras il-Wied, Triq Qarbuni, Triq Burmarrad, Wied Qannotta, Triq Bidnija and Triq San Martin in the construction category. The council informed us that these works were carried out in 2019 in relation to the European Agricultural Fund for Rural Development (EAFRD) 2014-2020 M4.3. This grant was given to the council to cover eligible costs for improving accessibility to rural areas in the locality whereby various road resurfacing or construction works will be carried out.
- 5.17 We noted that article 10 of the agreement states that 'ownership of results of the projects including industrial and intellectual property rights, and of the reports and other documents relating to it shall, in the case of public sector operations, be vested in the Government of Malta and not with the beneficiary', the latter being the council.
- 5.18 To this end, we have proposed an audit adjustment to reverse the grant received and fixed asset additions amounting to €238,527 and €463,701 respectively, which were previously included in the property plant and equipment schedule and now recorded as other creditors. To this end the 'other creditor' account was eliminated by our audit adjustments as the council had completed all the works for the above roads by end of year. The council has amended the financial statements to include our audit adjustment.
- 5.19 We recommend that the council always evaluates whether works should be capitalised or expensed on a case by case basis. Furthermore, the council should also be in line with the agreements. In such case, article 10 of the agreement is specific that the ownership is not vested in the beneficiary.

Obsolete assets and disposals

- 5.20 The council still has various fixed assets which are not in a good state or no longer exist. An example of this is the skate park which has a net book value of €4,165. The council informed us that the skate park is abandoned and cannot be used.

- 5.21 In accordance with the Local Council's (Financial) Procedures P1.16b the secretary is required to create, maintain, and control an accurate and up-to-date inventory of council fixed assets. We recommend that any disposals and obsolete items included in the fixed asset register are identified and written off. If the council scraps assets, the list of items scrapped or written off should be approved in a council meeting.

6 Intangible assets

Reconciliation of financial statements to fixed asset register

- 6.1 Whilst reviewing the fixed asset register and books of account, we noted that the net book value of intangible assets does not agree by €21. The council failed to provide an explanation for this difference.
- 6.2 Circular 1/2020 states that council should ensure that the fixed asset register agrees to the nominal ledger and hence the financial statements. To this end we reiterate our recommendation to the council to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register.

7 Inventory

Stock insurance

- 7.1 In previous years the council has published several books namely: St. Pauls Bay – A Guide, Wignacourt Walks, Rooted, Il-Qawra Titkellem and Tisjir Mil- Qalb 2018. The council failed to insure the stock of booklets and books.
- 7.2 May we remind the council that assets should be adequately insured. Unless stock is insured the council will not be able to recover any losses in stock in case of theft, fire, and any other accident.

Net realisable value of inventory

- 7.3 Furthermore, we noted that the council's inventory is slow moving. We have also noted that the majority of the books are given as complimentary and not sold.
- 7.4 The council should assess whether the books are being carried at the lower of cost and net realisable value in the financial statements in accordance with generally accepted accounting principles. Write-offs or provisions of inventories might be necessary if the books remain slow-moving or have no realisable value.

Movement in stock

- 7.5 During the year under review the council sold books amounting to €78. The council failed to adjust the books of account and reclassify stock to cost of sales. To this end we have proposed an audit adjustment to record the movement. This was approved by the council and properly reflected in the audited financial statements.
- 7.6 We recommend that the council accounts for stock movement on a regular basis and ensures that the list is constantly updated and reflects the actual number of books available at council premises.

8 Trade and other receivables

Pre-regional LES debtors

- 8.1 In our testing on LES debtors, we obtained report 622 generated from version 1 of the Loqus system and found that tribunal pending payments as at 31 December 2019 were €97,402.93. The council had passed an entry of €6,195.32 against LES debtors and corresponding provision to agree the books with the LES report. We have proposed an adjustment to reverse the entry passed by the council as there is uncertainty as to whether the LES reports are correct. Our audit adjustment was approved and incorporated in the final set of financial statements.
- 8.2 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

Overdue receivables

- 8.3 We noted that the council has the following long overdue receivables:

Debtor	€	Note
Bobby's Tattoo Studio	465.88	(a)
Blues Limited	24,000.00	(b)
Dimbros Limited	1,249.57	(a)
Green MT	3,904.32	(a)
Gozo region	395.88	(a)
Horejsi David	165.00	(a)
Incognito Restaurant	343.10	(c)
Malta Tourism Authority	8,675.47	(d)
Malta Classic Car Collection	465.88	(a)
Mecca Enterprises Limited	90.00	(a)
Pepe Nero	514.65	(a)
Sunsource & Co Limited	360.00	(a)
Waterservices Corporation	78,461.56	(a)
Regjun Xlokk	42.90	(e)
	119,134.21	

- (a) Fully provided for (refer to note 8.4).
- (b) Recognised provision in the books amounts to €6,500 (refer to note 8.4).
Furthermore, the council explained to us that there is an open court case with respect to receivable of 24,000.
- (c) This balance was not provided for in the books of account.
- (d) Recognised provision in the books amounts to €6,257.97.
- (e) Recognised provision in the books amounts to €39.41.

- 8.4 We also noted that a total provision of €99,168.60 was recorded as at 31 December 2019 in the books of account for the trade receivables:

Debtor	€	Note
Bobby's Tattoo Studio	465.88	
Blues Limited	6,500.00	
Dimbros Limited	1,249.57	
Green MT	3,904.32	
Gozo region	395.88	
Horejsi David	165.00	

Malta Tourism Authority	6,257.97	
Malta Classic Car Collection	465.88	
Mecca Enterprises Limited	90.00	
Pepe Nero	514.60	
Sunsource & Co Limited	360.00	
Waterservices Corporation	78,461.56	
Regjun Xlokk	39.41	
Baldacchino W.	48.53	(a)
Delicata Janet Elizabeth	250.00	(a)
	<u>99,168.60</u>	

(a) We have noted that although these provisions were recognised in the books of account, there were no corresponding receivables recorded in the unaudited financial statements.

8.5 We recommend that, although in most of the cases a provision has been made, the council should continue trying to obtain settlement from these debtors reminding them that the amounts have been long overdue. We also 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 the council still has the right to collect the amounts due. We also advise the council to review the amount due from Blues Limited after the final judgement has been received and reflect the decision in the books of account.

Confirmation of debtor

8.6 We have obtained a statement from Wasteserv Malta Limited showing a balance of €11,876.54 due to the council. However, the council's books of account indicate a balance of €187,867.24. This resulted in a difference of €175,990.70. We also noted that in the statement provided by Wasteserv Malta Limited the payment to the council amounting to €23,753.08 was recorded in October 2019. This entry was never recorded in the council's books of account. Upon our request the council contacted Wasteserv Malta Limited and it was established that the council never received the above payment, and it was reversed by Wasteserv Malta Limited in 2020. The revised difference of €152,237.62 is arising from invoices issued by the council for October 2018 and February to December 2019 which were not recorded by Wasteserv Malta Limited.

8.7 We recommend that the council contacts Wasteserv Malta Limited and ensures that all invoices are approved and recorded in their books. The council should also chase for the payment.

Other debtors

8.8 While reviewing other debtors we identified an amount of €8,150 brought forward from prior years with the description stating 'Commissioner of Inland Revenue'. The council provided us with an agreement dated 29 July 2011 with Joseph Muscat, whereby the council is agreeing to buy or rent the premises, currently being used as a local council office. At agreement date, the parties agreed on the purchase price of €815,000.00. The amount of €8,150.00 represents 1% duty paid to the Commissioner for Revenue with respect to the above agreement. The agreement contains a clause stating that an amount of €35,000.00 has to be blocked in the council's bank account. In the event that the council decides to continue renting out the property rather than purchasing the said premises, the amount will be



transferred to the seller/landlord. We reviewed bank confirmation replies and did not identify blocked amounts in the council's bank accounts. The council informed us that it has no intention of purchasing the property.

- 8.9 We recommend the council to discuss and review this agreement during council meeting and if there is a need, the council should seek legal advice.

Accrued income

- 8.10 During audit fieldwork we noted that the council failed to account for accrued income amounting to €8,000 for the 'Financial Initiatives – Local Government Culture Fund 2018 – 2020' scheme with respect to Summer Carnival 2019. The council submitted the report to the Department with a total expenditure of €10,769.97. We have proposed an audit adjustment to account for accrued income amounting to €8,000 as capped by the scheme. The council has amended the financial statements to include our audit adjustment.
- 8.11 We recommend that the council records such when it is certain that they are to be received thus ensuring that the income is reported in the correct accounting period on the accrual basis.
- 8.12 While reviewing accrued income we noted an amount of €132,269.76 with respect to Thallassalejn playing field. The council provided to us an agreement with MEPA dated 20.10.2011. As stated by the predecessor auditors the project was finalised in 2018 and the respective accrued income was accounted for in the same year. Up to date no amounts were received by the council for this Project.
- 8.13 We recommend the council to contact Planning Authority and to chase the latter for payment and if any issues arise to ask assistance from the Department for Local Government.
- 8.14 In June 2017 the council entered into agreement with the Planning Authority for the amount of €154,694.24 in terms of the 'Resurfacing of roads' project. As stated by the predecessor auditors, the council recorded the amount of €210,381.71 as accrued income as at 31 December 2018, thus overstating the agreed amount by €55,687.47. During the year under review the council received an amount of €102,053.80. No further payments were made by the Planning Authority up to the date of audit fieldwork. The balance of accrued income in accordance with the books of account as at 31 December 2019 is €108,327.91 which is overstated by €55,687.47 compared to the signed agreement.
- 8.15 We recommend that the council accrues for the income in accordance with the signed agreement thus avoiding overstating of the income and receivables.

9 Bank and cash

Unpresented cheques

- 9.1 During our testing on unpresented cheques we noted that the council omitted BOV cheque 19261 dated 11 December 2019 and amounting to €900.00 from the bank reconciliation as at year end. We have proposed an audit adjustment to include the omitted cheque. Our audit adjustment was approved and incorporated in the final set of financial statements.

- 9.2 We remind the council that bank reconciliations should be prepared and reviewed carefully to identify any exceptions on time.

10 Trade and other payables

Supplier statements

- 10.1 The council did not obtain monthly statements from all of its suppliers. Directives and circulars issued from time to time by the Department for Local Government specifically state that the council should obtain monthly statements from all suppliers.
- 10.2 We again recommend that the council obtains monthly statements from all suppliers in order 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.

Long-outstanding creditors

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

Creditor	€
Armeni Daniele	460.20
A & E Borg Tower Ladder Service	1,050.00
A.R.M.S Limited Acc. 411000055730	500.00
Bonnici Brothers	7,036.66
Design & Technical Resources Limited	1,947.00
Dimbros Limited	6,952.17
Eagle Security	177.00
B. Grima & Sons Limited	3,916.83
Grima Ironmongery	945.00
J. Farrugia Electrical & Plumbing installation	1,096.85
Perit William Lewis	559.70
Mario Mallia	64.90
Mecca Enterprises	450.60
Mica Med Limited	389.40
Road Servicing	53,976.98
Ron Fleur	40.00
Sijon Ironmongery	788.24
Sado Co Ltd	732.78
WasteServ Malta Limited	24,246.50
	<u>105,330.81</u>

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

Confirmation of trade creditor

- 10.5 As part of our audit procedures we circularised confirmation letters to selected suppliers. We noted the following:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Bonnici Brothers Limited	7,036.66	-	7,036.66
B. Grima & Sons Ltd	13,987.69	17,547.88	(3,560.19)

To date of the management letter the council did not provide a reconciliation and explanation for the above differences.

- 10.6 We remind the council that circular 1/2020 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

Alternative procedures on creditors

- 10.7 When performing alternative procedures on the balance due to creditors by verifying payments after year-end and outstanding invoices, we identified the below differences:

Supplier	Amount in council's books of account €	Payments after year end and outstanding invoices €	Difference €
Road Servicing Limited	53,976.98	50,683.43	3,293.55

- 10.8 To date of the management letter the council failed to provide an explanation for the above difference.
- 10.9 The above situation highlights the importance of reconciling creditors' balances to suppliers' statements. Thus, once again we recommend obtaining suppliers' statements on a monthly basis and reconciling immediately in order to identify any discrepancies promptly. We suggest that all differences identified are investigated and adjusted accordingly.

Other creditors

- 10.10 Included with other creditors is a balance amounting to €2,363.11 receivable with respect to 'amounts due from Paying Agency and Measure 313'. This balance is being carried forward from previous years. The council failed to provide us with supporting documentation. We have proposed an adjustment to include the balance with other debtors. The council has amended the financial statements to include our audit adjustment.
- 10.11 We also noted that the other creditors include a debit balance of €5,859.54 for a payment made for arbitration. To date the case has not been resolved and we were informed that this will be expensed if the arbitral tribunal awards it to Dimbros Limited. An audit adjustment was proposed to reclassify amounts with other debtors. This adjustment has been correctly incorporated in the audited financial statements.

- 10.12 We advise the council to review this amount, and request for payment, if amount is no longer receivable, the council should reverse this after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.
- 10.13 We noted that other creditors also include a balance of €7,872.85 as ‘other creditors – performance guarantees’. The council informed us that performance guarantees of €1,010 were received for tender T 12/2018 for Christmas Lighting and €6,862.85 for tender T 07/2018 for the resurfacing and patching of 8 farm roads in San Pawl under Measure 4.3. The above guarantees were provided to the council by a cheque and deposited in the council bank accounts.
- 10.14 Procurement Policy note 22 states that the council should obtain a performance guarantee of 4% for purchases with a value between €10,000 to €500,000 and a 10% guarantee for purchase above €500,000. Performance bonds are important as this protects the council in the event that the contractor fails to honour his obligations laid down in the contract. The performance bond should be provided by the bank and it should remain valid for the duration of the contractual period and shall only expire one month after the completion project as agreed upon by the council and the contractor.

Refundable deposits

- 10.15 During our audit fieldwork we noted that the council collects deposits for permits of construction works carried out in the locality of San Pawl il-Baħar. The deposits are refunded back only if the council obtains assurance that the sites were left in a good condition after all works have been carried out.
- 10.16 The books of account include an amount of €6,150 in relation to refundable deposits. Whilst reviewing the list of refundable deposits we also noted deposits of €1,000 collected for construction works. The council informed us that a higher deposit is obtained to cover higher risks. S.L 441.04 of 2002 legislating deposits states that deposits obtained for permits cannot exceed €232.94.
- 10.17 The council should review this balance and seek legal advice to check if these deposits are time-barred and in that case recognise them in income accordingly.
- 10.18 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Accruals

- 10.19 The list of accruals included an amount of €4,705.64 in relation to the December FS5. Upon reviewing supporting documentation, we noted that this was already submitted to the Inland Revenue and this should have been recorded as a non-financial creditor. We have proposed an audit adjustment to reclassify this amount with creditors. This was approved by the council and properly reflected in the audited financial statements.
- 10.20 We recommend that the council distinguishes between accruals and creditors.
- 10.21 Our testing of accruals revealed that the council has erroneously over accrued the cleaning and maintenance of non-urban areas by €3,000. An audit adjustment was

proposed to decrease the expense and accruals. Our audit adjustment was incorporated in the financial statements.

- 10.22 We also noted that the council's provision for performance bonuses was understated by €727.60. It was further noted that the council has excluded the performance bonuses of two employees. We have proposed an audit adjustment to rectify the issue. The council has amended the financial statements to include our audit adjustment.
- 10.23 The council should endeavour to compute accruals as accurately as possible so that expenditure is recorded in the correct financial period based on the accruals concept of accounting.

PPP payables

- 10.24 We again noted that the council did not distinguish between trade creditors and capital creditors in the trial balance. We have proposed an audit reclassification to reclassify PPP payables of €50,683.43 to a separate account. Furthermore, amounts were reclassified to €34,295.35 and €16,388.08 to distinguish between the short-term and long-term creditors respectively. Our audit adjustment was approved and incorporated in the final set of financial statements.
- 10.25 We recommend that capital creditors are disclosed separately, especially when they are long term, to avoid taking incorrect figures when calculating liquidity and FSI ratios. Separate disclosure will also aid in the preparation of the cash flow statement.
- 10.26 The council is not discounting to present value the long-term liabilities with respect to PPP agreement as stipulated by IFRS 9 - *Financial Instruments*. Due to the above departures are audit report is qualified.
- 10.27 We recommend that the council adheres to IFRS 9, *Financial Instruments*' and does carry out an exercise using a reasonable discount rate to determine if the net present value of the long-term creditor is materially different from its carrying amount. If so, we recommend that an adjustment is passed to reflect the present value at the balance sheet date.

11 Books of account

- 11.1 During audit fieldwork we identified several transactions passed in the books of account which consisted of grouped transactions. The nominal ledger did not include details identifying the items which are reclassified and thus it was difficult to trace all movement. This was noted in deposits for permits and general income.
- 11.2 Transactions in the books of account should be posted individually. All journal entries should be substantiated by a detailed narrative explaining the purpose of the journal entry.

12 Financial statements

Presentation of financial statements

- 12.1 Councils are required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit we identified

that the council's unaudited financial statements were not prepared in accordance with IFRS:

- i. Note 2, the sub-header 'New and Amended Standards Adopted by the Local Council' includes incorrect information. A case in point is the fact that the council is stating that IFRS 9 'Financial Instruments' will be effective from 1 January 2019 however these were effective from 1 January 2018.
- ii. Note 2, the sub-header 'New Standards and Amendments not yet effective' includes IFRS 16 'Lease'. This should be included in the standards adopted by the council during the current year.
- iii. Note 2, includes standards which are not applicable to the council.
- iv. The council failed to update the 'Leases' note on page 11 of the unaudited financial statements.
- v. The 'Local Enforcement System' note included in the notes to the financial statement still indicates that San Pawl il- Baħar Local Council forms part of the North Joint Committee. The council should update the note to include current information.
- vi. The council included non-financial assets in the Financial Risk Management note.
- vii. The accounting policy for property, plant and equipment includes the percentage rather than range of years or percentages due to the change in the depreciation method.
- viii. The council failed to disclose PPP payables separately in note 16 payables.
- ix. Note 15 to the financial statements does not disclose the financial and non-financial receivables.
- x. The council failed to include the credit risk note as required by new standards.

12.2 We recommend that the council gives more attention to the preparation of the financial statements. The council amended all shortcomings noted above in the audited financial statements.

12.3 In addition to the above, we identified another shortcoming in the council's unaudited financial statements:

- i. The comparative figures in the cash flow statement do not cast.

12.4 We recommend that the council gives more attention to the preparation of the financial statements and includes all the disclosures required by accounting standards. The council has amended the above in the audited financial statements.

13 Meetings

Binding of minutes

13.1 We noted that the council did not bind the minutes of the seventh legislature.

13.2 We recommend that the council adheres to the provisions in the Local Councils (Office) Procedures, 1996 and arranges for the previous year's minutes to be bound. The binding of minutes should be given due importance since this provides the only permanent, unchangeable record of council meetings and discussions taken.



Length of meetings

- 13.3 The council is not specifying the start time of the meeting in the meeting minutes. This is not in line with the templates provided by the Department of Local Government by memo 10/2016.
- 13.4 May we remind the council to ensure that meeting minutes include all the details required by the template issued by the Department.

Approval of minutes

- 13.5 We have noted that the council is not approving the meeting minutes in the subsequent meeting. Meeting minute 74 was approved in meeting 76, meeting 76 was approved in meeting 80 due to the lack of quorum and meetings 80 and 81 were approved in meeting 84. The council did not provide any explanation for not approving minutes in the subsequent meeting.
- 13.6 This contravenes the Local Council (Meetings) Procedures which state that the council should print the minutes and attach them to the agenda for the next formal meeting of the council for approval.

Holding of meetings

- 13.7 For meetings 77, 78, 79, 82, 83, 86 the council could not hold the meetings due to the lack of a quorum.
- 13.8 Based on the number of meetings held from January to June 2020 and given that the council has 13 councillors, the maximum number of attendances is 89. When one considers that there were 10 absences and 83 excuse letters, the overall attendance is only 49%.
- 13.9 We remind the council that council members are obliged to attend all meetings under section 18 of the Local Councils Act. On the other hand, if a letter of excuse is provided the council must consider the reasons for excuse and document the approval or otherwise in the minutes of the council.

14 Electronic site

- 14.1 We noted that the council did not upload signed copies of the following documents on the website of local councils within the required time frame:
 - (a) Quarterly financial reports covering January – September 2019 were not uploaded on the council website within the stipulated time frame.
 - (c) The annual administrative report for 2018 is still not uploaded on council website.
 - (d) To date of the management letter the council failed to upload the annual budget for 2020.
 - (e) To date of the fieldwork the council has failed to upload the management letter and reply to the management letter for 2018.
- 14.2 We remind the council of the requirements of memos 77/2009 and 102/2010 to upload the signed minutes on the website within three working days. In addition, the council should upload all other reports, audited financial statements and management letter within the specified time frame.

Uploading of management letter and other documents

- 14.3 During the audit fieldwork we noted that the council did not upload the 2018 management letter in accordance with Circular 21/2019.
- 14.4 We would like to remind the council of the General Data Protection Regulations as indicated in SPI7/2018. 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 7/2019 which states that names of third parties not directly connected with the operations of the council should not be published.
- 14.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

15 Schedule of payments

- 15.1 During audit fieldwork we noted that the council approved schedule of payments during meeting 88, however it was not specified which schedule of payment was approved. It was also noted that during the meetings 9_01, 9_02, 9_03, 9_04, 9_05, 9_06, 9_07, 9_08, 9_09 and 9_10 no schedules of payments were approved and therefore we could not establish whether the payments stated in the schedules of payments 06/2019, 07/2019, 08/2019, 09/2019, 10/2019, 11/2019 and 12/2019 were approved by the council and whether the payment was made prior to approval or not.
- 15.2 We recommend that the council includes the schedule of payments reference in the minutes to ensure that all schedules have been presented and approved.

16 Comparison with annual budget

- 16.1 When comparing the budgeted figures with the actual figures of the year under review, we identified the following difference:

	Budgeted	Actual	Difference
	€	€	€
Expenditure			
Administrative and other expenses (excluding depreciation)	105,570	268,090	162,520

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

17 Specimen chart of accounts

- 17.1 We noted that the council is not using the specimen chart of accounts that is mandated for local councils and regional committees.
- 17.2 The chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and



explanatory notes C.01 to C.07. Using the standard accounts will facilitate comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.

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 Ms Mariella Strout and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,