

Our Ref: NAO 107/2015/55
Your Ref:

RECEIVED

02 AUG 2021

55/0370/21/I

26 July 2021

The Mayor and Executive Secretary
St Paul's Bay Local Council
St Paul's Bay

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2020**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2020.

After seeking the Association's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.

The Mayor
San Pawl Il- Baħar Local Council
St. Paul's Street
St. Paul's Bay
SPB 3418
Malta

Grant Thornton
Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malta

T +356 20931000

www.grantthornton.com/mt

Our ref MB/mf/95021

15 July 2021

Dear sir,



Financial statements for the year ended 31 December 2020

During the course of our audit for the year ended 31 December 2020 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 Income from the joint committee

We again noted that the council failed to obtain the Joint committee financial statements for 2011 (refer to note 2.1).

1.2 Supplementary Government income

We again noted instances of other Government income recorded as supplementary Government income (refer to note 2.4).

1.3 Other Government income

We again noted that the council failed to rectify the issue with other Government income (refer to note 2.6).

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).

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

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

1.5 Custodial receipts

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

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).

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).

1.8 Commissioner for Revenue payments

We are pleased to note that the council submitted FSS payments on time.

1.9 Payment of overtime

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

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).

1.11 Petty cash vouchers

We are pleased to note that the council has rectified the issue for petty cash purchases.

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).

1.13 Payment approval

We did not identify cheques issued to suppliers prior obtaining council approval.

1.14 Expired contracts

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

1.15 Tendering procedures

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

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).

1.17 IFRS 16 assessment

We are pleased to note that the council has adopted IFRS16 during the year under review.

1.18 Contract manager

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

1.19 Twinning agreement

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

1.20 Majjistrat Action Group membership

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

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).

1.22 Upkeep of fixed asset register

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

1.23 Classification of assets

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

1.24 Reconciliation of financial statements to fixed asset register

We again noted difference between the fixed asset register and amounts included in the unaudited financial statements (refer to note 5.8).

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).

1.26 European Agricultural Fund and Rural Development 2014-2020 Measure 4.3

The above project was completed in 2019.

1.27 Obsolete assets and disposals

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

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 unaudited financial statements (refer to note 6.1).

1.29 Stock insurance

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



- 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).
- 1.31 **Movement in stock**
We are pleased to note that the council has rectified the issue during the year under review.
- 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).
- 1.33 **Overdue balances**
The council did not address the issue of long-outstanding debtors (refer to note 8.5).
- 1.34 **Confirmation of debtor**
We again noted a difference between the council books and debtor confirmation letter (refer to note 8.8).
- 1.35 **Other debtors**
The council did not rectify the issue with the other debtors during the year under review (refer to note 8.10).
- 1.36 **Accrued income**
We again noted shortcomings in the accrued income (refer to note 8.14).
- 1.37 **Unpresented cheques**
We are pleased to note that the council has rectified the issue.
- 1.38 **Supplier statements**
The council is still not obtaining supplier statements from all its suppliers as at year-end (refer to note 10.1).
- 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).
- 1.40 **Confirmation of trade creditors**
We again noted differences between the council books and creditor confirmation letters (refer to note 10.9).
- 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).



1.42 Other creditors

We again noted a number of shortcomings in other creditors (refer to notes 10.15 and 10.16).

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).

1.44 Accrued expenditure

We have again noted shortcomings in accruals (refer to notes 10.24).

1.45 PPP payables

The council failed to distinguish between trade creditors and capital creditors in the trial balance (refer to note 10.26). The council also failed to discount to present value long-term liabilities (refer to note 10.28).

1.46 Books of account

We again noted grouped transactions passed in the books of account (refer to note 11.1).

1.47 Financial statements presentation

We have again identified shortcomings in the presentation of financial statements (refer to notes 12.1 and 12.2).

1.48 Binding of minutes

The minutes were still not bound during the year under review (refer to note 13.1).

1.49 Length of meetings

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

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).

1.51 Holding of meetings

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

1.52 Electronic site

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

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).



1.54 Schedule of payments

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

1.55 Comparison with the annual budget

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

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 councils (refer to note 18.1).

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 provided audited financial statements for the year ended 31 December 2009.

2.2 The reserves of the committee at that date amount to €1.6 million. In the absence of audited financial statements for 2011 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 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

Supplementary Government income

2.4 The council has classified the receipt of €20,000 and €2,635 from the Department for Local Government, for the Tourism Zones and Adjustment fund for the decrease in allocation from 2019 respectively, as 'supplementary Government income'. We proposed an audit adjustment to reclassify this amount to 'other Government income'. This was accepted by the council and corrected in the final set of 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 council erroneously classified an amount of €618.84 derived from the Ministry of Health and the Elderly for the 20% recharge of utility bills for usage of local council's hall as 'Other income – Supplementary Income Maltacom' rather than 'Other income – Other Government income'. We have proposed an audit adjustment to rectify the issue. The council approved to pass our proposed audit adjustment.

2.7 May we again remind the council that proper allocations to the correct accounts are of vital importance.



General income

- 2.8 When testing general income, we noted that the council recognised an amount of €254.48 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 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	33919	11.12.2020	23.12.2020	10.00
Crane permit	32682	13.10.2020	19.10.2020	15.00
Crane permit	31502	11.08.2020	18.08.2020	15.00
Crane permit	28599	14.02.2020	02.03.2020	30.00

- 2.11 We recommend that the council deposits funds 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 €97.24 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 €44 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.

Payment of overtime

- 3.5 We have again noted that a payment of €7,078 was made to employees with respect to overtime. This payment was made prior to obtaining approval in council meetings.
- 3.6 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

- 3.7 When reviewing excuse letters presented by council members, we noted that in meeting 21 to 24 and 26 a councillor failed to provide a formal excuse letter however he was still excused from attending the meeting.
- 3.8 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

Procurement procedures

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

Details	Supplier	€	Note
Land surveyor at Triq l-Erba Mwiezeb Housing Estate	Caruana Dejan	2,000.00	(c)
Water bowser services during May 2020	S. Caruana Water Supplies	1,180.00	(b)
Professional fees for tenders' evaluations	Ciantar Robert W.	1,168.20	(c), (d)
Demolition hammer & cordless drill	G & T Imports Limited	1,777.00	(a)
Repairs to local council garage shutter	Kenneth Darmanin	986.48	(a), (d)
Manhole covers & maintenance works	Mallia Mario	2,118.63	(e)

- (a) The council failed to obtain any 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.

- 4.2 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.
- 4.3 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.
- 4.4 We would like to bring to the attention of the council that in accordance with Public Procurement Regulations Subsidiary Legislation 174.04, purchases equal to



or above €5,000 but below €10,000 should be supported by a call for quotations issued through the ePPS system.

Expired contracts

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

Tender number	Details	Date of expiry	Notes
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 the 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.

4.6 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 six months prior to expiry date of existing contracts for those expenditure exceeding €10,000. May we also remind the council that in accordance with Public Procurement Regulations Subsidiary Legislation 174.04, purchases equal to or above €5,000 but below €10,000 should be supported by a call for quotations issued through the ePPS system.

4.7 During the audit we again 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 €4,026 per annum, however the amount recorded in the books is €3,826. 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.

4.8 We recommend that the council should obtain a contract for all properties being rented out to 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

4.9 During the year under review we also noted the below shortcomings to tendering procedures:

Tender no.	Details	Note
SPB T/01/2019	Street sweeping services in the locality of San Pawl il-Bahar, using environmentally friendly practices.	(a)

SPB T/03/2020 Tender for hiring, installation, maintenance and dismantling of Christmas decorations in Bugibba - locality of San Pawl il-Bahar. (b)

- (a) The council did not obtain the performance guarantee within established timeframe.
- (b) The contractor did not submit a performance guarantee from the bank but instead provided a cheque to the council.

4.10 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. 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. The guarantee obtained should be issued by bank rather than through the cheque issued by the supplier.

Insurance policy

4.11 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	50,000	14,460
Community assets	102,502	-
Plant and machinery	8,800	2,334
Christmas decorations	40,000	-
Stock of wine, spirits and tobacco	100	-
Windows, doors, glass and all other fixed glass within locality	10,000	-
Sanitary fixtures and fittings	5,000	-
Other contents	1,000	-
	1,112,402	16,794

4.12 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.

4.13 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.



Contract Manager

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

Twinning agreement

- 4.16 As stated in our previous management letter 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 years the predecessor auditors noted in the management letter that the council has a twinning agreement with Agios Pavlos in Tessaloniki.
- 4.17 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.

Majjstral Action Group membership

- 4.18 The council's membership expenditure account includes an amount of €928.57 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 2020.
- 4.19 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, C Schembri, Oxford House 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 €
Office furniture and fittings	OEQU049	Wall safe sub office	87.05
Office furniture and fittings	FURN078	Roller Shutter	1,062

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 €
Computer and office equipment	6,499	6,478	21
Urban improvements	33,253	15,752	17,501
Motor vehicles	62,513	55,513	7,000
Construction works	227,153	95,637	131,516
Special programmes	408,317	221,580	186,737
	737,735	394,960	342,775

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 1/2021 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 In our previous management letter 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. We also noted that the council failed to distinguish between patching and resurfacing works. In prior year this amount was reclassified to assets under construction until architect certificate is provided. To date the council failed to obtain an architect certificate from Infrastructure Malta and the amount was left as asset under construction. Our audit report has been qualified to this respect as no depreciation is being accounted for and the council did not investigate whether such works should be expensed or capitalised.
- 5.12 Furthermore, in 2019 the council 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 5.11. The grant was left in the asset under construction category due to the missing architect certificate.
- 5.13 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.

Obsolete assets and disposals

- 5.14 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.
- 5.15 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.
- 5.16 Whilst reviewing meeting minutes 12, it was noted that the council approved the disposal of a Peugeot 407 with number plate ACB031. The council did not account for the disposal of the motor vehicle in the books of account. We have passed an audit adjustment of €6,700 to reverse the cost and accumulated depreciation of the disposed asset. The adjustment is reflected in the financial statements.
- 5.17 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. Therefore, we recommend that any disposals and obsolete items are identified and written off or impaired as appropriate. If the council scraps assets, the list of items scrapped or impaired should be approved in a council meeting.
- 5.18 Furthermore, while testing disposals of fixed assets, we noted that the council netted off a gain on disposal amounting to €400 against administrative and other expenses. We have proposed an audit adjustment to disclose the gain on disposal as general income in the financial statements. The council has amended the financial statements to include our audit adjustment.



5.19 May we recommend that the council avoids netting off the income and expenditure and disclose amounts separately.

Motor vehicle grant

5.20 During the year under review the council capitalised a grant of €7,000 received from the scrappage scheme of the old motor vehicle to an electric one. We further noted that the grant was approved in 2020 and thus accounted for in the current year. The council failed to reverse the excess depreciation accounted for in 2019 and 2020 for the electric vehicle. To this end we have proposed an audit adjustment to reverse the additional depreciation of €1,633. Furthermore, the council should update the fixed asset register and include the grant received during the year. The council approved to pass our proposed audit adjustment.

5.21 We recommend that the council accounts for capital grants received under the capital approach as specified by Directive 1/2017 issued by the Department for Local Government.

Procurement procedures on fixed asset additions

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), (c)
Outdoor gym	Gokker Limited	4,484.00	(d)
CCTV camera	Alert Security	1,605.00	(a)
Laminating machine	CSD Office Supplies	164.02	(a), (b)
Microwave oven	Top Choice	139.01	(a), (b)
Mobile phone Samsung A20E	Tablets & More	165.00	(a), (b)
13 Tablets for councillors	Tablets & More	2,847.00	(e)
Saw with Honda engine	Bonnici Stores Ltd	885.00	(a)
Generator	Bonnici Stores Ltd	1,075.70	(a)
Demolition hammer	G & T Imports	1,314.00	(a)

- (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.
- (d) The council obtained only 1 quotation.
- (e) Only 2 quotations were obtained.

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.
- 5.24 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.

Measure 4.3 grant

- 5.25 During the year under review we noted a movement of €24 in the Measure 4.3 grant account. Upon further investigation we identified that the movement is resulting from bank charges incurred by the council on the Central Bank of Malta account. We have proposed an audit adjustment to include the above amount with bank charges. The adjustment is reflected in the financial statements.
- 5.26 We recommend that the council records expenses in the correct account. Furthermore, expenses incurred should not be netted off from the grant account.

Obsolete assets and disposal

- 5.27 Whilst reviewing meeting minutes, we noted that the council approved the disposal of the Burmarrad open gym by asset code PLAY005. It was noted that this open gym was included in the fixed asset register and in the books of account upon purchase. We have proposed an audit adjustment of €5,885 to record the disposal in the books of account. The adjustment is reflected in the audited financial statements.
- 5.28 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. Therefore, we recommend that any disposals and obsolete items are identified and written off or impaired as appropriate. If the council scraps assets, the list of items scrapped or impaired 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 unaudited financial statements, 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 1/2021 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.

Stock count

7.5 During the audit fieldwork we counted books in the premises of the council and noted the following discrepancies:

Book title	Books in provided stocklist €	Books counted during audit fieldwork €	Difference €
St. Paul’s Bay – A Guide	12	15	3

7.6 We recommend the council to ensure that stock count is performed regularly. In case any damages are identified it should be properly documented and books of account adjusted accordingly.

8 Trade and other receivables

Pre-regional LES debtors

8.1 When testing the pre-regional receivables, we noted a balance of €91,207.61 in the unaudited council’s books whilst the 622 Loqus report (version 1) shows a balance of €2,315,716.31 and the 622 Loqus report (version 2) shows a balance of €925,422.85. The council did not provide us with an explanation. We did not propose an audit adjustment because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

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. Furthermore, the council should enquire on the nature of the differences between the 622 Loqus reports produced from version 1 and version 2.

8.3 During the current year the council received €2,656.17 from pre-regional contraventions. The income was accounted for correctly. However, the council failed to adjust the LES debtors and corresponding provision. We have proposed an audit adjustment to rectify the issue. The council has amended the financial statements to include our audit adjustment.

8.4 We recommend that in case overdue pre-regional receivables are settled, council should reflect it in the books of account and adjust the debtors and corresponding provision.

Overdue receivables

8.5 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	5,354.32	(d)
Incognito Restaurant	515.12	(c)
Malta Tourism Authority	8,675.47	(e)
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)
	120,152.45	

- (a) Fully provided for (refer to note 8.6).
 (b) Recognised provision in the books amounts to €6,500 (refer to note 8.6 and 8.7). 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 €3,904.32 (refer to note 8.6).
 (e) Recognised provision in the books amounts to €6,257.97 (refer to note 8.6).

8.6 We also noted that a total provision of €99,168.60 was recorded as at 31 December 2020 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	(b)
Horejsi David	165.00	(c)
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	(b)
Baldacchino W.	48.53	(a)
Delicata Janet Elizabeth	250.00	(a)
	99,168.60	

- (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.

- (b) The debtors have paid their dues to the council during the year under review. The council recorded receipt against the debtors account but failed to reverse provision for doubtful debts for the debtors.
- (c) Council issued credit note to the debtor during the year under review and recorded it against income. The council failed to reverse provision for doubtful debts in this respect.

An audit adjustment was proposed to adjust the movement for provision for doubtful debts and credit notes issued of €600.29 as noted in note (b) and (c) above. The council has amended the financial statements to include our proposed audit adjustments.

- 8.7 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. Furthermore, we would like to remind the council that in case overdue receivables, which were provided for, are settled by the debtors, council should reflect it in the books of account and adjust the corresponding provision.

Confirmation of debtor

- 8.8 We have obtained a statement from Wasteserv Malta Limited showing a balance of €324,238.26 due to the council. However, the council's books of account indicate a balance of €337,460.48. This resulted in a difference of €13,222.22. Upon our request the council reconciled the balance with Wasteserv Malta Limited and it was established that the invoice issued by the council for December 2020 amounting to €12,308.64 was not recorded by Wasteserv Malta Limited. Thus, the revised difference amounted to €913.58 for which no explanation was provided.
- 8.9 We recommend that the council contacts Wasteserv Malta Limited and ensures that all invoices are approved and recorded in their books and reconciles the revised difference. The council should also chase for the payment.

Other debtors

- 8.10 In our previous management letter we noted that other debtors include 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. 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 should 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.

- 8.11 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.
- 8.12 Furthermore, we noted that an amount of €232 included in debtors was brought forward from prior years. The council explained to us that this amount was a deposit done for a modem. Service was terminated with the service provider, but deposit has not been returned up to the date of audit fieldwork.
- 8.13 We recommend the council to contact service provider to discuss the issue and once it is settled to update books accordingly.

Accrued income

- 8.14 In our previous management letter we noted that council has accrued income amounting to €132,269.76 with respect to Thallasalejn playing field. The council provided to us an agreement with MEPA dated 20.10.2011. 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.
- 8.15 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.
- 8.16 In our previous management letter we also noted that 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 2019 the council received an amount of €102,053.80. No further payments were made by the Planning Authority during 2020 and up to the date of audit fieldwork. The balance of accrued income in accordance with the books of account as at 31 December 2020 is €108,327.91 which is overstated by €55,687.47 compared to the signed agreement. As a result, our audit report has been qualified.
- 8.17 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

Bank reconciliation

- 9.1 While reviewing the bank reconciliation for BOV account 15203330012 as at 31 December 2020 we noted that the amount recorded in the reconciliation as 'balance as per cash book' amounted to €173,425.90 while the amount recorded in the trial balance was of €173,306.20. Upon further investigation we identified that the difference of €119.70 pertains to the payment for the petty cash reimbursement made in January 2021 which was erroneously recorded in the books of account for the financial period ended 31 December 2020. We have proposed an audit adjustment to rectify the issue. The adjustment is reflected in the financial statements.

- 9.2 The reconciliation and nominal account for BOV account 15207085033 included an amount of €482,754 as at 31 December 2020. We further noted that the bank statements as at year end confirm that closing balance was of €482,784. Upon further enquiry to the council, we noted that the difference of €30 pertains to unrecorded permit income. We have proposed an audit adjustment to record permit income against the corresponding bank balance. The council included our audit adjustment in the audited financial statements.
- 9.3 We recommend that the bank reconciliation is performed on a regular basis at least monthly to determine all errors and ensure that the book balance is correct. It is essential that the council keeps strong control over its cash and bank balances.

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.

Trade payables' reconciliation

- 10.3 According to the council's creditors' list as at 31 December 2020, trade payables amount to €450,544. The balance disclosed in the trial balance as trade payables amount to €451,716, that is a difference of €1,173. The council failed to provide us with an explanation for this difference.
- 10.4 We recommend that the council reconciles the creditors' list with the creditors' control account. According to the Local Councils (Financial) Procedures, 1996, records and ledgers should be reconciled at least monthly. Furthermore, the council must ensure that the financial statements agree to the trial balance prior to signing.

Long-outstanding creditors

- 10.5 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
Bonnici Brothers	774.98
Cassarino Salvatore Antonino	834.91
Design & Technical Resources Limited	5,702.62
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	65.34
Mecca Enterprises	450.60

NextBike Limited	2,895.00
Road Servicing	16,364.22
Ron Fleur	40.00
Rock Cut Limited	18,984.23
Sijon Ironmongery	788.24
Sado Co Ltd	732.78
WasteServ Malta Limited	12,621.46
	75,412.13

- 10.6 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.

Debit balances in creditors' list

- 10.7 The council's creditors' list at the end of the year includes a debit balance of €2,138.94 pertaining to the below suppliers:

Creditor	€
Smart ICT – Arkafort	40.40
Bonello & Associates	0.10
ARMS Limited	2,098.44
	2,138.94

- 10.8 We recommend that the council investigates all debit balances in the creditors' list and writes them off if not applicable. In addition, these balances should also be disclosed separately with receivables rather than set off against trade creditors.

Confirmation of trade creditors

- 10.9 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 €
Wasteserv Malta Ltd	267,988.94	288,634.79	(20,645.85)
Sijon Ironmongery	830.35	855.14	(24.79)

- 10.10 Upon reviewing the transaction history provided by the WasteServ and councils books we noted that the council recognised income of €20,786.98 more than actual DLG payments made to Wasteserv Malta Limited. To this end we have passed an audit adjustment to reverse the overstated income against the creditor balance. Our proposed audit adjustment was approved by the council and included in the audited financial statements. The remaining difference of €141.13 pertains to a credit note which was not recorded by the council. No audit adjustment was proposed for the omitted credit note as the amount is not material.

- 10.11 We remind the council that circular 1/2021 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

10.12 When performing alternative procedures on balances 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 €
Dad's Petrol Station	707.40	677.40	30.00
Road Servicing	16,364.22	16,388.08	(23.86)

10.13 To date of the management letter the council failed to provide an explanation for the above difference.

10.14 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

10.15 Included with other creditors is a balance of €2,336.92 in debit 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 adjustment is reflected in the financial statements.

10.16 We noted that other creditors also include a balance of €10,671.85 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, €6,862.85 for tender T 07/2018 for the resurfacing and patching of 8 farm roads in San Pawl under Measure 4.3, €2,799 for tender T02/2019 for cleaning, upkeep and maintenance of public conveniences. The above guarantees were provided to the council by a cheque and deposited in the council bank accounts.

10.17 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

10.18 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.

- 10.19 The books of account include an amount of €5,572 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.
- 10.20 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.
- 10.21 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.

Other creditors – Lands Department and LESA

- 10.22 During the year under review we noted that included with ‘other creditors’ is an amount of €583.04 pertaining to a suspense account for the balances due to LESA and Lands Department for the receipts not yet paid to the latter. The council informed us that the account is being used to input all bank deposits made pertaining to LESA and Lands and then effect payments to them from the same account. The council failed to keep a list of payments received and made during the year. To this end the council could not identify which payments are still due to LESA and Lands and no supporting documentation was provided to us for the above amount.
- 10.23 We recommend the council to prepare a list with all receipts made by residents to the council, deposits made in council bank account and transfers made to LESA and Lands. Furthermore, this will help the council in identifying balances due easily and avoid any double payments.

Accruals

- 10.24 Our testing of accruals revealed that the council has erroneously under accrued Wasteserv tipping fees by €1,296.71. An audit adjustment was proposed to increase the expense and accruals. The council has amended the financial statements to include our audit adjustment.
- 10.25 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

- 10.26 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 €16,364 to a separate account.
- 10.27 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.
- 10.28 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 our audit report is qualified.

- 10.29 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.

Unrecorded liabilities

- 10.30 Whilst reviewing subsequent year end payments, it came to our attention that the council has omitted various invoices from B Grima & Sons received in 2021 for street lighting repairs done in 2020 amounting to €20,598.17. We have proposed an audit adjustment to record an accrual in this respect. Our proposed audit adjustment was approved by the council and reflected in the audited financial statements.
- 10.31 Subsequent to year end the council issued a payment to Dimbros Limited of €18,076.09 for a dispute on an invoice coming forward from 2015. The council failed to include this amount with accruals. To this end we have proposed an audit adjustment to record the amount. The council has reflected our proposed adjustment in the audited financial statements.
- 10.32 We recommend that the council ensures that expenditure is accounted for when it is incurred so that expenses and liabilities are accounted for in the proper financial year.

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. The 'Local Enforcement System' note included in the notes to the financial statement still indicates that income is received from the regional councils. The council should update the note to include current information.
 - ii. 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.
- 12.2 In addition to the above, we identified another shortcoming in the council's unaudited financial statements:
- i. Special programmes in Note 12a of the financial statements does not cast.



- 12.3 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 rectified the issued presented above.

13 Meetings

Binding of minutes

- 13.1 We noted that the council did not bind the minutes of the eight 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 We again noted that in meeting 11 to 15, 17, 18, 23 and 25 the council did not specify 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 12, 13 and 14 was approved in meeting 16, meeting 16 and 17 were approved in meeting 18, meeting 18 and 19 were approved in meeting 20. 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.

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 – December 2020 were not uploaded on the council website within the stipulated time frame.
 - (c) The annual administrative report for 2019 is still not uploaded on council website.
 - (d) The business plan 2020 – 2024 was not upload on council website on time.
 - (e) The council failed to upload the audited financial statements for 2019 within the stipulated time frame.
 - (f) To date of the fieldwork the council has failed to upload the management letter and reply to the management letter for 2019.

- 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 2019 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

Approval of schedules of payments

- 15.1 During our testing on schedule of payments we noted that cheques 19690 and 19714 were omitted from the schedules of payments. Further testing revealed that these cheques were cancelled before the approval of schedules of payments and were not listed on the schedules of payments.
- 15.2 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are reviewed for accuracy and jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council. We recommend that all cancelled cheques are retained in the cheque book to provide evidence of their cancellation.
- 15.3 During audit fieldwork we noted that the council approved schedules of payments during meeting 11, 12, 15, 17, 21, 23, 25 and 26 however it was not specified which schedules of payments were approved. We also noted that during the meetings 14, 16, 18, 20, 22 and 24 no schedules of payments were approved and therefore we could not establish whether all payments were approved by the council and whether the payment was made prior to approval or not.
- 15.4 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)	101,198	241,418	(140,220)

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 Capital commitments

17.1 During the year under review we noted that the council has €867,000 in capital commitments included in the 2021 budget. The financial statements include capital commitments of €1,067,000. Therefore, there is some confusion since the cash budget indicates capital expenditure for the next twelve months whilst the note to the financial statements indicates both short-term and long-term projects. The council should disclose capital commitments required within the coming year and future years separately informing users of the council's future intentions.

17.2 We recommend that the financial statements should properly disclose the council's future capital expenditure plans, if any, as agreed to the budget and business plan. Where appropriate it is advisable to explain how such capital expenditure is to be funded.

18 Specimen chart of accounts

18.1 We noted that the council is not using the specimen chart of accounts that is mandated for local councils and regional committees.

18.2 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,



As per FS5's

Month	Gross (€)	SSC (€)
January	21,931.00	2,377.60
February	20,274.00	2,377.60
March	17,946.00	2,259.00
April	16,275.00	2,140.40
May	15,983.00	2,140.40
June	16,711.00	2,140.40
July	15,468.00	2,095.92
August	16,627.00	2,058.86
September	15,337.00	1,869.70
October	15,728.00	2,043.62
November	15,258.00	1,970.72
December	33,286.00	4,968.62
	<u>220,824.00</u>	<u>28,442.84</u>
add 1/2 of total NI	14,221.42	
Total	<u><u>235,045.42</u></u>	

As per FS7

Gross Salary	220,868.00
add 1/2 of total NI	14,211.42
Total	<u><u>235,079.42</u></u>

As per Accounts

Account No. & Name	Amount (€)
1100 PE - Mayor's allowance	19,651.15
1200 PE - Employees' Salaries/Wages	116,486.79
1201 PE - Executive Secretary Salary	32,922.50
1300 PE - Bonuses	9,454.60
1301 PE - Executive Secretary Bonus	3,729.46
1500 PE - Social Security Cont.	14,989.42
1600 PE - Allowances	32,199.96
1700 PE - Overtime	7,078.35
	<u>236,512.23</u>
Add opening accruals	7,634.20
Less closing accruals	<u>-9,003.77</u>
	<u><u>235,142.66</u></u>
Difference	<u><u>-97.24</u></u>



San Pawl Il-Baħar Local Council

Annual Report and Financial Statements
31 December 2020



Prepared by Romina Perici Ferrante CPA