



## KUNSILL LOKALI SAN PAWL IL-BAĦAR LOCAL COUNCIL

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Our Ref: 55/0299/24/OMS  
Your Ref: NAO 107/2021/55

4<sup>th</sup> September 2024

Director, (Finance and Procurement Compliance)  
Department for Local Government  
26, Archbishop Street  
Valletta VLT 2000

Dear Sir,

### **Management Letter – Financial Year 2023**

Reference is made to the Management Letter dated 16<sup>th</sup> July 2024 (attached), received by this office on the 19<sup>th</sup> July 2024 concerning the accounting system and procedures operated by the San Pawl il-Baħar Local Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils. The contents of the Management Letter were read and discussed in Council during the meeting held on 3<sup>rd</sup> September 2024, where it was deemed appropriate to forward the following comments:

#### **1.1 General Income**

2.3 Point noted. The agreement dated 29 November 2023 referring to financial support of €7000 from MTA has since been countersigned by MTA and a copy is held in our files.

2.4 Noted.

#### **1.2 Income from the Joint Committee**

2.1 This issue is not within the control of the San Pawl il-Baħar Local Council. We understand that all the Local Councils within the North Joint Committee have the same issue.

2.2 The issue has been taken up again with the DLG in order to possibly have audited accounts for the North Joint Committee up till 31 August 2011.

#### **1.3 Expired contracts**

Noted. No further actioned required.

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Kunsilliera - Councillors: Alfred Grima, Alexander Agius, Anne Marie Fenech, Sandra Gauci, Daryl Connor, Rachel Antoinette Williams, Antoinette Bezzina, Alan Bugeja, Cleveon Micallef, Joseph Matthew Attard, Alexandra Smart Costantino.  
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### **1.4 Payment of FSS and NI**

Noted. No further action required.

### **1.5 Upkeep of fixed assets register**

3.1 – 3.3 Noted. The details as suggested by the auditors are being included in the Fixed Assets Register for new assets however for old assets it is proving difficult to include all details since these requirements became applicable of late. These items will be discussed with the Local Council's accountants to possibly align with recommendations.

### **1.6 Reconciliation of financial statements to fixed asset register**

3.4 – 3.7 In the Management Letter reply for FY 2022 the Local Council replied that following Local Government Division (DLG) Directive 1/2017, when the depreciation method was changed from Reducing Balance to Straight line method, the cost and depreciation amounts in the Fixed Assets Register cannot agree with the books of account, as the instruction from DLG was to change and input the NBV as at 31/12/2018 as the cost and depreciation rates are to be adjusted according to the remaining years of useful life. This item will be discussed with the Local Council's accountants to possibly align with recommendations.

3.8 Noted. Financial Statement adjustment carried out during the audit.

3.9 Point noted.

Fixed asset additions

3.10 – 3.11 The Local Council will chase for any missing certification.

3.12 Noted. Financial Statement adjustment carried out during the audit.

3.13 Point noted.

### **1.7 Assets under construction**

3.14 In the Management Letter reply for FY 2019 the Council had replied that there was a memorandum of understanding (MOU) with Infrastructure Malta (IM) and that the Council was awaiting the rates from IM for the architect's certification to be done. It seems that no Council approval could be traced for this MOU and thus this issue has remained pending since 2019. Besides, it also transpires that the €500,000 were paid

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prior to commencement of works. In the Management Letter reply for FY 2022 the Local Council replied that in the circumstances the Council cannot leave such works without any depreciation since the works carried out are being estimated to last approximately 10 years, therefore a 10% depreciation is being applied per annum. If the Council had to wait for the Architect's Certificate to capitalize such amount, the Council would have to leave the item under Asset not yet Capitalized and therefore delay the time to take depreciation on such works. This item will be discussed with the Local Council's accountants to see whether items can be aligned.

3.15 – 3.16 Points noted and will be actioned accordingly.

### 1.8 Inventories

Noted. No further action required.

### 1.9 Pre-regional LES debtors

4.1 Noted.

4.2 Differences with Loqus Report 622 will be looked into with the involvement of DLG as this is not entirely within the Local Council's control.

4.3 Noted. Financial Statement adjustment carried out during the audit.

4.4 Noted.

### 1.10 Overdue balances

4.5 – 4.6 The auditors highlighted the following long overdue receivables:

| <u>Debtor</u>                    | <u>€</u>   |
|----------------------------------|--|
| Blues Limited                    | 24,000.00 – This amount is subject to an ongoing Court case – Provision of € 6,500.00 recorded.                      |
| Local Enforcement System Agency  | 19,333.03 – Unfortunately receivables are always in arrears with LESA.   |
| Malta Tourism Authority          | 9,302.56 – During the year various attempts were made to recover amounts from MTA – Provision of €8,675.47 recorded. |
| Sirens Sports Facilities Limited | 11,210.00 – Further attempts will be made to possibly recover the amount although no formal agreements exist.        |

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|                                   |   |
|-----------------------------------|---|
| Pepe Nero                         | 1,201.32 – Provision of €514.65 recorded.   |
| Dimbros Limited                   | 1,249.57 – Provision of €1,249.57 recorded. |
| Malta Classic Car Collection Ltd. | 465.88 – Provision of €465.88 recorded.     |
| Mecca Enterprises Limited         | 90.00 – Provision of €90.00 recorded.       |
| Marsovin                          | 23.29                                       |
| WasteServe Malta Limited          | 6,301.08                                    |

4.7 - Noted. Financial Statement adjustment carried out during the audit.

4.8 - Noted. Financial Statement adjustment carried out during the audit.

4.9 – Noted.

4.10 – Noted.

### **1.11 Amounts receivable from WSC**

Noted. No further action required.

### **1.12 Accrued income**

4.11 – 4.12 The Planning Authority will be contacted including any support from the DLG.

4.13 – 4.15 The Planning Authority will be contacted including any support from the DLG.

Other receivables

4.16 Noted. Financial Statement adjustment carried out during the audit.

4.17 Point noted.

### **1.13 Confirmation of debtors**

Noted. No further action required.

### **1.14 Supplier Statements**

5.1 – 5.2 - Despite the Local Council's efforts in chasing suppliers to supply monthly / year end statements the response is not always as desired.

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### **1.15 Long Outstanding Creditors**

Noted. No further action required.

### **1.16 Debit balances in creditors list**

5.3 – 5.4 Points noted.

### **1.17 Confirmation of creditor**

5.5 Point noted.

5.6 Point noted. Financial Statement adjustment carried out during the audit.

5.7 Point noted.

### **1.18 Deferred income**

5.8 – 5.9 – The matter has been communicated with the Managing Authority and is now settled. Also all dues to Infrastructure Malta have been settled so matter is settled from both ends.

### **1.19 Refundable deposits**

5.10 – 5.11 – The item will be brought to the attention of the Local Council during the next Local Council meeting to take a decision accordingly.

Write-off payables

5.12 Point noted. Financial Statement adjustment carried out during the audit.

5.13 Point noted.

Accruals

5.14 Point noted. Financial Statement adjustment carried out during the audit.



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Refundable amount due to Regjun Tramuntana

5.15 Point noted. Financial Statement adjustment carried out during the audit.

5.16 Point noted.

FSS and NI payable

5.17 – 5.18 Points noted.

### **1.20 Books of Account**

6.1 – 6.2 – Points noted.

Yours sincerely

Ċensu Galea  
Mayor

Marico Sammut  
Executive Secretary

Cc: National Audit Office