



The Auditor General  
National Audit Office  
Notre Dame Ravelin,  
Floriana CMR02

Dear Sir/Madam,

### **Management Letter reply – Financial Year ending 31st December 2020**

The Siggiewi Local Council endeavours to address all comments and recommendations drawn up by the Auditors during the conduct of the statutory financial audit of the Siggiewi Local Council's financial statements for the year ending 31st December 2020.

#### **Accounting Function and Government Income**

The accounting function combines the Siggiewi Local Council making the necessary information to the contracted accountancy firm. The Siggiewi Local Council recognises that there could have been interruptions in the communication between the Siggiewi Local Council office and the accountants and coupled with the change of assigned officer by the accountancy firm, could have resulted in the adjustments to the financial statements as approved by the Siggiewi Local Council. Nevertheless, the Siggiewi Local Council reiterates that it maintains direct control on the income and expenditure of the funds entrusted by central government and those funds allocated via specific national and EU funding programs.

The Siggiewi Local Council further recognises that the bulk of the comments made by the auditors reflect the first quarter of 2020 and which "errors" did not repeat themselves during the remaining period of the financial year.

#### **General Income**

The Siggiewi Local Council tries to minimise the retention of cash within its offices for lengthy periods, due to the risks associated. The Siggiewi Local Council tries to have all cash and cheques received from the public, deposited with the bank in a timely manner and with the available resources. The Siggiewi Local Council does not have a cash collection services by security companies and this means that its office staff have to deposit with the bank in person sometimes including waiting in line with the general public. During the Pandemic, at some point in time the bank was not accepting cash deposits. This was the main reason why the office then made the necessary arrangements to adapt the epos machine to be able to offer a better service to the general public.

### **Joint Committee**

The Sigġiewi Local Council agrees with the remarks noted by the auditors to try and retrieve the funds owed to it by the Joint Committee with the held of the Department of Local Sigġiewi Local Councils.

### **Payroll**

The Sigġiewi Local Council generally files and settles its monthly FSS in a timely manner. However since all payments need to be authorised by the Sigġiewi Local Council, there could be instances whereby the payments would be delayed when the Sigġiewi Local Council meetings elapse the month end.

### **Recording of Payroll and Sigġiewi Local Councillor's Honoraria**

The Sigġiewi Local Council will make sure that the information on its payroll system is compiled correctly onto the monthly FSS reports.

The Sigġiewi Local Council will look into the reporting of the Mayor and Sigġiewi Local Councillor's honoraria to make sure it is in line with the prescribed regulations. Nevertheless the Sigġiewi Local Council notes that the reporting is based on the FS4s submitted by the Sigġiewi Local Councillors.

### **Expenditure**

#### **Petty Cash**

The Sigġiewi Local Council has never held a petty cash system purposely to avoid the additional risks of holding cash within its offices. The Sigġiewi Local Council will review this matter and deliberate whether it should implement such petty cash system.

#### **Procurement Procedures**

The Sigġiewi Local Council maintains that it adheres to the established procurement procedures and that the payments noted by the auditors where part of existing tenders.

#### **Tendering Procedures**

The Sigġiewi Local Council and the Executive Secretary will review the specific tenders mentioned by the auditors to see what exactly happened and what caused the time delays between the issuance of the tenders, awarding, and collection of statutory documentation. The Sigġiewi Local Council aims to avoid repetition of such instances. However, it was noted that there was a delay in issuing of Bank Guarantees from Local Banks especially during the pandemic period.



### **Insurance Policy**

The Sigġiewi Local Council notes that the insurance policy in place covers generally the costs of replacement of assets at market value. As the auditors may note, the NBV does not represent the replacement value and had the Sigġiewi Local Council simply insured its assets on the NBV, it would simply be under insured over all assets. The cost of replacing assets is driven by market values and not NBV.

### **Fixed Assets Register and Classifications**

The Sigġiewi Local Council recognises that the refinement of its fixed assets register has always been as difficult task to maintain, mainly due to purchases of assets over the previous decade. The Sigġiewi Local Council notes that all recent purchases were duly recorded within its FAR and depreciation calculated according to the prescribed methods and rates.

The grouping of the assets, as noted by the auditors, is mainly relevant to projects which sometimes are difficult to define whether these fall under the category of Urban improvement or Special Programmes.

### **Trade and other receivables**

#### **Pre-Regional LES Debtors**

The Sigġiewi Local Council will try to take up the matter with Loqus with the hope of reconciling the non material amount.

#### **Long outstanding balances**

The Sigġiewi Local Council will draw up a list of such outstanding balances and determine whether these should be written off as bad debts.

On the case of balances due from Wasteserv, the Sigġiewi Local Council notes that these balances with this company have been a massive headache for the Sigġiewi Local Council due to the tardiness in the issuance of the invoice and settlement, which has been ongoing for many years. The Sigġiewi Local Council has in the past tried to request the assistance of the Department for Local Sigġiewi Local Councils but the matter was never effectively resolved.

#### **Prepayments and accrued income**

The Sigġiewi Local Council will instruct its accountants to review the remarks of the auditors and make the necessary adjustments and avoid any errors.

#### **Cash and Cash Equivalents**

The Sigġiewi Local Council notes that it had informed the auditors' that during Q1 2021 the Sigġiewi Local Council had deliberated on the deletion of the stale cheques.

The Sigġiewi Local Council further notes that it was aware of the double posting which was not rectified in time for the audit, nevertheless this error did not have any effect on the over all value of the cash and cash equivalents.

### **Bank reconciliations**

The Sigġiewi Local Council stresses that bank reconciliations are carried out on a month basis for all of its accounts. The reported unrepresented cheques were all duly corrected once the Sigġiewi Local Council identified that these were to be removed due to having been replaced.

### **Central Bank of Malta bank accounts**

The Sigġiewi Local Council, as it had already informed the auditors, that it has no control over on the mentioned bank accounts. These accounts were set-up by the EU funds paying agency in which it allocates funds for projects to be conducted by the Sigġiewi Local Council and approved by the respective EU agencies. The funds within these bank accounts would only be released to the Sigġiewi Local Council by the Central Bank on instruction of the EU agencies.

### **Trade and other payables**

The Sigġiewi Local Council continuously requests monthly or regular statements from its suppliers, including government agencies, however these are rarely provided.

The Sigġiewi Local Council will try to send out creditor confirmations at least ever six months in order to be able to determine which of the balances need to be corrected and/or written off.

### **Amount in Dispute**

The Sigġiewi Local Council agrees with the recommendation of the auditors in securing its interests, and will continue applying ongoing efforts to verify all services rendered to by its contractors.

### **Deferred Income**

The Sigġiewi Local Council recognises the need of better reporting the release of funds allocated to specific projects under the deferred income approach.

### **Electronic Site**

The Sigġiewi Local Council will see that the reports are uploaded in the prescribed timeframes.

IN terms of the GDPR concerns, the Sigġiewi Local Council will seek appropriate legal advice on this matter and also consult with the Department of Local Sigġiewi Local Councils for better guidance on the matter. The Sigġiewi Local Councils reports are all public for scrutiny.

### **Meetings**

The Sigġiewi Local Council notes that its meetings are set in accordance with the availability of the Sigġiewi Local Councillors and in a bid to have all Sigġiewi Local Councillors present. During the year under review, the auditors seem to have forgotten that its was the year of the pandemic, which resulted in the Sigġiewi Local Council to adopt more flexible approaches in the way it conducts its meetings bearing in mind that the availability of the Sigġiewi Local Councillors was also impacted by the pandemic.

### **Schedule of payments**

The Sigġiewi Local Council will review its schedule of payments and if necessary get further guidance from the Department for Local Sigġiewi Local Councils.

The Sigġiewi Local Council also notes that in an effort to conduct most of its payments via electronic banking and avoid the use of cheques (something which has been encouraged by central government and the EU in general), the Sigġiewi Local Council will not be able to quote a cheque number for payments that we being approved for electronic payment.

### **Financial Statements**

The Sigġiewi Local Council needs to note that all notes to the financial statements are in line with IFRS. Any non-mandatory notes where not included within the financial statements as these would have added no value to the users of such financial statements.

All disclosures required by IFRS, included by not limited to IFRS 9 and Income Recognition were always included.

### **Specimen chart of accounts**

The Sigġiewi Local Council notes that its overall chart of accounts is in line with the specimen chart of accounts as issued by the Department for Local Sigġiewi Local Councils, which also allows for the necessary customisation within the specific categories.

### **Capital commitments**

The Sigġiewi Local Council acknowledges the variations between the budget 2021 and the reported capital commitments within the financial statements as at 31st December 2020, and which variations are due to projects which where scheduled to commence in 2021 being pushed to a later date.

**The Sigġiewi Local Council and the Executive Secretary would like to thank the auditors for their service and their recommendations.**

Yours truly,



**Dominic Grech**  
Mayor



**Ritiene Giorgino**  
Executive Secretary

**Approved in Sitting 414 (8-42)**