

28th August 2023

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

Dear Sir/Madam,

Management Letter reply – Financial Year ending 31st December 2022

The Sigġiewi Local Council endeavours to address all comments and recommendations drawn up by the Auditors during the conduct of the statutory financial audit of the Council's financial statements for the year ending 31st December 2022.

The replies are endorsed in the attached document.

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 Council Sitting 443 (8-71)

The Members
Siggiewi Local Council
18, St Nicholas Square,
Siggiewi SGW 1073,
Malta

3 July 2023

Dear Members of the Siggiewi Local Council,

We have completed our audit of the financial statements of Siggiewi Local Council for the year ended 31 December 2022. Our audit is primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation.

Our aim is to offer guidance to the Council such that it would be in a better position to improve its internal controls, enhance its book-keeping function and consolidate its overall governance. We would like to point out that, in accordance with the Local Councils Act (CAP 63) 1993 and the Local Council (Financial Regulation) 1993, it is the responsibility of the Executive Secretary of the Local Council to ensure that a proper system of internal control is in operation to ensure that the proper accounting, recording and handling of financial operations are in place to safeguard the Local Council's assets at all times. For this reason, this document is of particular relevance to the Local Council's Executive Secretary.

The matters dealt with in this report, came to our notice during the conduct of our 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 systems of control but that of obtaining an understanding of the controls which are in place, on the basis of which, we design our audit procedures. For this reason, this report cannot be relied upon to necessarily disclose other defalcations or other irregularities which may exist, had a specific and more extensive assignment for this specific purpose been commissioned.

Our engagement obliges us to distribute copies of this report to the Council Members. Consequently, this report, in part or in full, may not be distributed, used or quoted except for the scope it is prepared, without our prior written consent, unless such disclosure is required by Law.

During the course of our audit for the year ended 31 December 2022, we examined the principal documents, systems and controls applied by the Council, to help it ensure, in so far as it is possible, far as possible, the accuracy and completeness of the accounting and to safeguard the assets of the Council.

In order to facilitate your responses to the deficiencies we noted in the course of our audit, have been presented these shortcomings in columnar form. On the left hand side of the document we specify the weaknesses and the recommended courses of action. On the right hand side you are required to insert the remedial action you intend to take and a time frame by which these will be remedied. We also attach for your perusal, a summary of the audit adjustments which we were put through the accounting records, once these were approved by yourselves. Should you require our assistance in bringing to fruition the suggested recommendations do not hesitate to contact us.

We would like to thank you for the courtesy and co-operation extended to us in the course of our audit.

Yours faithfully,

Arthur Douglas Turner
Partner - Parker Russell Turner

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PREVIOUS MANAGEMENT LETTER

During the course of our audit for the year ended 31 December 2022, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

i. General income

We have once again noted shortcoming in General Income as per note 8 as on page 14, which was again recorded twice in the books of accounts.

ii. Fixed Assets

We have once again noted differences between Fixed assets costs, grants, their classifications and differences in the fixed asset registrar as per note 1 on page 3.

iii. Trade receivables and joint committee.

We have, once again noted differences between the LES Debtors balances included on the accounts and the Loqus report issued. Moreover, no supporting documentation of the Joint Committee have been made available to us, as per note 2 on page 8.

iv. Accrued income

We have, once again noted, that accrued income was not properly recognised as per note 3 on page 9.

v. Trade and other payables

We have, once again noted, that suppliers are not being reconciled to suppliers' statements, as per note 5 on page 10. Moreover, the amount in dispute in relation to amount due to Philip Agius & Sons Ltd is still showing as payable.

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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A summary of the deficiencies noted in the course of our audit and our recommendations thereto is as follows:

1. *PROPERTY, PLANT AND EQUIPMENT*
2. *TRADE RECEIVABLES AND JOINT COMMITTEE*
3. *ACCRUED INCOME*
4. *CASH IN HAND AND AT BANK*
5. *TRADE PAYABLES*
6. *DEFERRED INCOME*
7. *DEBIT TRANSACTIONS*
8. *REVENUE*
9. *PAYROLL AND HUMAN RESOURCES*
10. *PRIOR YEAR ADJUSTMENTS*
11. *PRESENTATION OF FINANCIAL STATEMENTS*
12. *BOOKKEEPING AND ACCOUNTING ISSUES*
13. *OTHER MATTERS*
14. *CONCLUSIONS*

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	SIGGIEWI LOCAL COUNCIL REPLIES
<p>1 PROPERTY, PLANT AND EQUIPMENT</p> <p>1.1 Fixed Asset Register</p> <p><i>Weakness</i></p> <p>1.1.1 Despite the fact that the Council has taken the necessary measures to compile a fixed asset register, we noted that the system is manual and is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset. Furthermore, the manual system is not integrated with the Fixed asset Module and to the General Ledger of the accounting software. This not only leads to duplication of effort in keeping one's records in order, but can also result in incorrect postings to the General ledger, due to human error.</p> <p>1.1.2 We have noted the below differences between the net book value in the financial statements and the net book value in the fixed assets registrar:</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

Asset	Net book value as per audited financial statements €	Net book value as per fixed assets registrar €	Difference €
Office equipment	2,411	4,001	(1,590)
Urban Improvements	109,192	192,082	(82,890)
Special Programme resurfacing	<u>430,860</u>	<u>439,846</u>	<u>(8,986)</u>
	<u>542,463</u>	<u>635,919</u>	<u>(93,466)</u>

<p><i>Recommendation</i></p> <p>1.1.3 We strongly believe that the fixed asset register should be kept electronically, using the appropriate available software. This should be synchronized within the accounting system.</p>	<p>The council notes that it maintains the FAR on the accounting package as approved by the DLG. The council concedes that its records might not be entirely accurate in terms of assets acquired in excess of ten years ago.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>1.1.4 We strongly recommend that the fixed asset register implementation process is discussed in detail with your IT service provider and the accountant in charge in order to adapt the software necessary for the needs of the Council and incorporate the integration of the plant registry within the general ledger.</p> <p>1.1.5 In addition, any differences between the assets' net book value as per financial statements and the fixed assets registrar needs to be investigated and adjusted accordingly.</p>	<p>The council acknowledges the observations of the Auditors in respect to the importance of maintaining the FAR. The council notes that the variances identified by the auditors, are identical to those noted in previous management letters and are stemming from transactions incurred in excess of ten years ago.</p>
<p>1.2 Classification of transactions and recognition of grants</p> <p><i>Weakness</i></p> <p>1.2.1 The problem which exists in regard to the classification of transactions pertaining to Fixed Assets stems from incorrect postings at entry stage. This deficiency can have far reaching implications, amongst which, material misstatements between the various categories of fixed asset balance and the incorrect recognition of grants. The problems encountered mainly relate to the below invoices received during previous years but accounted for during 2022. We have proposed the necessary adjustments and the Local Council has agreed to include them.</p>	<p>The council notes the observations raised by the auditors in terms classification and recognition of grants. The council needs to note that there were extensive delays in the provision of bills of quantity reviewed and certified for each project, mainly due to delays from the contractors' side which rendered the adequate provision very difficult.</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

Detail	Supplier	Date	Amount
LCS7/2020 MEASURE 4.4 RUBBLE WALLS	ESON	20/07/2021	24,564
RESTORATION OF RUBBLE WALLS SALIB GHOLJA PT 1 U TRIQ BAJJADA	ESON	29/12/2021	30,302
Measurement and certification Triq il- Bajjada	Warren Camilleri	10/03/2020	30,562
Measurement and certification Triq Ghar Lapsi	Warren Camilleri	01/03/2020	4,048

1.2.2 Whilst verifying transactions we have noted that the Local Council was not recognising the Central Bank of Malta Accounts. Consequently, it was not recognising grants received, deferred income and supplier payments correctly on an accrual's basis as required by IAS 1 Presentation of Financial Statements. These were being recognised on a cash basis.

The council needs to note the funds held by the Central Bank of Malta where never considered as being council funds as these specifically cover the funding under the specific EU Fund and not the funds covered by the council.

Recommendation

1.2.3 Our recommendation is to identify the classification of the assets being purchased in terms of the following categories:

- Assets purchased in terms of IAS 16 Property, Plant and Equipment;

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<ul style="list-style-type: none"> - Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and - Assets under development and not yet ready for use. 	<p>The council notes that the auditors were provided with reconciliations and workings for assets leased in compliance with IFRS 16 and assets under construction, as well as the workings for the FAR in the various categories.</p>
<p>Further, proper classification has to be made between the assets which have been financed through internally generated funds from those which were funded through Grants and Funds. Lack of distinction of assets funded from Grants, has made it very difficult for auditors, in their verification of Deferred grants and corresponding depreciation schedules, particularly those pertaining to previous years.</p> <p>It is important that apart from the above, a reassessment is carried out of all the assets held by the Council to ensure the condition and state of the assets held. Impairment tests should be carried out ongoingly and a report should be prepared regularly to assess the state of the assets. Assessment of such need is to be carried out and all assets in the same class of transaction will need to be updated.</p> <p>1.2.4 The Local Council should prepare the financial statements under the Accrual basis which incorporates matching revenue with the expense when they are earned and incurred.</p>	<p>The council further notes that whilst it endeavors to monitor the state of all its assets. Nevertheless, the council needs to note that in case of assets classified as Urban Improvements, Special Programmes and Assets Under Construction, the council experiences difficulties in conducting such monitoring since it does not have the manpower to conduct onsite inspections.</p> <p>The council prepares the financial statements under the Accrual basis following the change of accounting principles by the DLG.</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiwii Local Council for the year ended 31 December 2022

<p>2 TRADE RECEIVABLES AND JOINT COMMITTEE</p> <p><i>Weakness</i></p> <p>2.1 We have noted that the Council has a debtor balance relating to LESA Old balance of € 54,737 which is fully provided for on accounts, however, it was not in agreement with the report obtained from LESA which shows a balance of € 46,403 We have proposed the adjustment of € 8,334 as adjustment to provision of bad debts and write off and the Local Council has agreed to account for the same amount. Up to 31 August 2011, all income and expenditure in relation to this were all centralized through the Central Joint Committee. No supporting documentation was made available to us to determine whether the Local Council is entitled to receive any further income.</p>	<p>The council notes the observations being made by the auditors. The council has for many years since the Central Joint Committee took over the administration of the LESA, tried to get the necessary information to be able to reconcile what was due in terms of fines. Unfortunately for the council such information was never made available and has over the years noted this in all of its management letter replies.</p>
<p><i>Recommendation</i></p> <p>2.2 We recommend that the Local Council addresses its differences and queries to LESA. The Local Council should obtain advice from their Lawyers on the recoverability or otherwise of such amount due.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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<p>3 ACCRUED INCOME</p> <p><i>Weakness</i></p> <p>3.1 During our audit work we noted that the Local Council did not recognise accrued income amounting to € 10,655 in relation to Finanzjament Milied, Achievers scheme and Cultural events.</p>	
<p><i>Recommendation</i></p> <p>3.2 We recommend that the Local Council recognises income when earned and not when received. This enables the Local Council to adhere to the accrual's basis and the matching concept of accounting for which income is properly recognised against the costs incurred.</p>	<p>The council notes the recommendations made by the auditors.</p>
<p>4 BANK</p> <p><i>Weakness</i></p> <p>4.1 The Local Council is not recognising the balances held with Central Bank of Malta in its books of account. The amounts received relate to the funds received for projects undertaken. Consequently, deferred income, release of grants and recognition and payment of suppliers were being incorrectly accounted for or omitted in the books of accounts. We have proposed the audit adjustments to recognise such balances and the Local Council</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

	<p>agreed to include them. Moreover, one account namely EAFRD 2014 to 2020 amounting € 461 as at 31 December 2022 and to relating to Rural Roads could not be properly recognised and substantiated since these relate to funds received during 2018.</p>												
	<p><i>Recommendation</i></p>	<p>The council needs to note the funds held by the Central Bank of Malta where never considered as being council funds as these specifically cover the funding under the specific EU Fund and not the funds covered by the council.</p>											
<p>5</p>	<p>PAYABLES</p>												
	<p><i>Weakness</i></p>												
<p>5.1</p>	<p>We have noted that the Local Council has an amount long outstanding with the following trade payables:</p>		<table border="0"> <tr> <td></td> <td style="text-align: right;">Euro</td> </tr> <tr> <td>Abakus Solution</td> <td style="text-align: right;">1,064.36</td> </tr> <tr> <td>Access Point</td> <td style="text-align: right;">306.80</td> </tr> <tr> <td>ARMS Ltd</td> <td style="text-align: right;">4,752.22</td> </tr> <tr> <td>B. Grima And sons</td> <td style="text-align: right;">50.36</td> </tr> </table>		Euro	Abakus Solution	1,064.36	Access Point	306.80	ARMS Ltd	4,752.22	B. Grima And sons	50.36
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Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>Big Friends Guggen Musik 1,165 Nicholas Farrugia 4,374.67 Philip Agius & Sons 10,514 Red Agency 372.75</p>	
<p>5.2 Th Local Council has a balance due to Philip Agius & Sons Ltd amounting to € 10,514. Upon enquiry it transpired that this amount was not settled and was retained by the Local Council for damages incurred by the supplier.</p> <p>5.3 As at year end, the Local Council had an amount payable amounting to € 13,078 which was paid from the Central Bank of Malta accounts. This arose in view of not recognising the Central Bank of Malta accounts as mentioned under point 4 above. We have proposed the adjustment required and these are reflected in the financial statements.</p>	
<p><i>Recommendation</i></p> <p>5.4 The Local council should review any balances due and reconciles ongoingly. Any long outstanding amounts should be resolved, and any differences adjusted for. No supporting documentation has been provided in such respect.</p> <p>5.5 We recommend that the Local Council obtains supporting documentation in respect of amounts in dispute and also accounts for the outcome of the agreement between Philip Agius & Sons Ltd and the Local Council.</p>	<p>The council acknowledges the observations of the Auditors in respect of obtaining regular statements from its suppliers.</p> <p>Whilst acknowledging the observations of the Auditors in respect of the said supplier, the council opted to keep</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>Moreover, any balances written off must be discussed and approved during the board meetings.</p>	<p>the balance on its books in the lack of definitive resolution of outcome between itself and the supplier.</p>
<p>6 DEFERRED INCOME</p> <p><i>Weakness</i></p> <p>6.1 Deferred income amounting to € 107,360 in relation of grants was not properly recognised since Central Bank of Malta balances were not being accounted for. We have proposed the adjustments and the Local Council agreed to reflect those in the books of accounts. These have then been properly released for projects finalised by year end.</p>	
<p><i>Recommendation</i></p> <p>6.2 We recommend that a detailed reconciliation is carried out by the Council and the Grants are accounted in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Furthermore, going forward transactions in the Central Bank of Malta Bank accounts should be recognised accordingly in the correct accounting period.</p>	<p>The council needs to note the funds held by the Central Bank of Malta where never considered as being council funds as these specifically cover the funding under the specific EU Fund and not the funds covered by the council.</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

7 DEBIT TRANSACTIONS

Weakness

7.1 Whilst verifying debit transactions, it was noted that the Council was not adhering to the Procurement procedures and three quotes were not always being attained. These relate to the following:

Detail	Supplier	Date	Amount
LEGAL SERVICES ON TERMINATION OF CLEANING CONTRACT	Richard Sladden	04/08/2022	1,003
Legal Services	Richard Sladden	11/11/2022	826
Band and DJ	Heartbeat	15/12/2022	3,475
St Nicholas Feast work	Anthony Pace	27/06/2022	2,096
SUPPLY AND INSTALLATION OF FUSTUN	Anthony Pace	01/10/2022	2,150
Kanterera	KANTERA PERFORMANCE	01/10/2022	885

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

7.2	Included within Cleaning of non urban waste collection is an amount of €2,340 relating to the month of December 2021 which was not recognised in previous year.	
<i>Recommendation</i>		
7.3	The Council should adhere the carefully laid down procurement procedures as these procedures seek to foster public sector efficiency and increase transparency. Moreover, this can help the Council achieve better value for money.	The council takes note of the observations made by the auditors and will endeavor to align itself further with the procurement procedures.
7.4	We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year.	The council takes note of the observation made by the auditors and will communicate better with its accountants to ensure that all accruals are reported within the financial statements.
8	REVENUE	
8.1	Permit fees	
<i>Weakness</i>		

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022


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<p>8.1.1 We obtained the report issued by the Council's system and a difference of € 1,259 arose.</p> <p>8.1.2 Included within permits and other income was amounts collected for on behalf of Housing, Lands and LESA.</p>	
<p><i>Recommendation</i></p> <p>8.1.3 We suggest that reconciliation of such balances is maintained and any differences from the reports and accounts are explained. Moreover, the Local Council should distinguish between the different income stream and account for it in the correct nominal ledger.</p>	<p>The council takes note of the observation made by the auditors and will instill with its accountants for improved reporting of income within the financial statements.</p>
<p>8.2 LESA Administrative fees</p> <p><i>Weakness</i></p> <p>8.2.1 We obtained the report issued by the Council's system and a difference of € 569 arose.</p>	
<p><i>Recommendation</i></p> <p>8.2.2 We suggest that reconciliation of such balances is maintained and any differences from the reports and accounts are explained.</p>	<p>The council takes note of the observation made by the auditors and will aim at conducting more frequent</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

reconciliations of these revenue streams and their proper accounting.	
<p>8.3 Other Government Income</p> <p><i>Weakness</i></p> <p>8.3.1 We have noted that the Local Council has recorded income received from closure of Central Bank of Malta amounting to € 7,522 twice. This double posting was adjusted for and reflected in the financial statements.</p> <p>8.3.2 During the current year the Local Council received the amount of € 29,783 relating to amounts paid by the Government on behalf of the council for which no supporting documentation was provided. After discussing this with the Local Council, it transpired that these amounts relate to other Government income received for shortages of tipping fees relating to previous years and for which no accrued income was accounted for. This leads to incorrect cut-offs. Our audit opinion is modified in this respect.</p> <p><i>Recommendation</i></p> <p>8.3.3 We recommend that the records are accurately posted and updated in the accounting system and in the general ledger.</p> <p>8.3.4 We recommend that the council records income when these are approved and are certain to be received. Moreover, accrued income should be</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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<p>recognised accordingly to ensure that income is recorded in the correct accounting year.</p>	<p>The council takes note of the observation made by the auditors and will instill with its accountants for improved reporting of income within the financial statements.</p>
<p>9 PAYROLL AND HUMAN RESOURCES</p> <p>9.1 Overall payroll procedures</p> <p><i>Weakness</i></p> <p>9.1 Wages are not reconciled to the submissions of FS5 and FS7 and a discrepancy of € 698 arose.</p>	
<p><i>Recommendation</i></p> <p>9.2 Proper reconciliation of Wages with FS5 and FS7 must be carried out.</p>	<p>The council will start conducting a wages reconciliation every quarter.</p>
<p>10 PRIOR-YEAR ADJUSTMENTS</p> <p><i>Property, plant and equipment</i></p> <p>10.1 The Local Council has recognised costs amounting to € 34,610 in relation to rubble walls as an expense in the Statement of Profit and Loss and</p>	<p>The council acknowledges the observations being made by the auditors in respect of Prior Year Adjustments and</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>Other comprehensive income during 2021. These related to capital expenditure and these were adjusted for as a prior year adjustment during the current year.</p>	<p>will discuss these points with its accountants to seek improvement in the financial reporting through better communication and organization of internal information.</p>
<p><i>Cleaning</i></p> <p>10.2 During the previous year, the Local Council has recognised an over accrual of € 9,269 relating to Cleaning of public convenience. No further costs were incurred, and this was adjusted as a prior year adjustment since it related to the year 2021.</p>	
<p><i>Depreciation</i></p> <p>10.3 The Local Council did not account for costs incurred during the year ended 2021 for the Restoration of St Nicholas Statue from Stefano Sferrazzo. These amounted to € 20,131 and were recognised as a prior year adjustment.</p>	
<p><i>Central Bank of Malta</i></p> <p>10.4 During our audit work we noticed that the Local Council had transferred an amount of € 8,194 on 7 December 2021 from the BOV Savings Account to the Central Bank of Malta account relating to the 20% Local Council contribution for the Restoration of Statues project. This amount was expensed in the Statement of Profit and Loss and Other Comprehensive Income during 2021. We have proposed the required adjustments and the Local Council approved them. This was adjusted by way of prior year adjustment since it related to the year ended 2021.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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<p>10.5 The Local Council omitted three supplier invoices during the previous year. These relate to Restoration of the statue of St Nicholas incurred during 2021 which amounted to € 20,131. These were adjusted by way of prior year adjustment.</p> <p>10.6 During 2021, the Local Council received funds amounting to 16,388 relating to the restoration of the statue of St Nicholas. This was released to the Statement of Profit and Loss and Other Comprehensive Income against the costs incurred as per note 10.5 above.</p>	
<p>11 PRESENTATION OF FINANCIAL STATEMENTS</p> <p><i>Weakness</i></p> <p>11.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU.</p>	
<p><i>Recommendation</i></p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>11.2 We recommend that the Local Council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.</p>	<p>The council acknowledges the recommendations of the auditors. It also notes that it will discuss with its accountants to see how to improve, where possible the compliance with IFRS.</p>
<p>12 BOOKKEEPING AND ACCOUNTING ISSUES</p> <p><i>Weakness</i></p> <p>12.1 During the course of our audit, we encountered a number of bookkeeping and accounting issues for which we had to pass various accounting adjustments. These are further listed on the Audit Adjustment Sheet which is attached as per Appendix 1 to this Management letter.</p> <p>12.2 The nature of the deficiencies noted in this area are various and included the following instances;</p> <p>a) Inability to distinguish between Revenue and Capital expenditure;</p> <p>b) Basic posting errors relating to the proper categorization of fixed assets under the appropriate classification;</p> <p>c) Matching of projects related costs to the relevant income received to support the project;</p> <p>d) A number of adjustments to opening balances were difficult to follow through, both in terms of the appropriateness of the accounting treatment as well as the lack of documentation to support these transactions;</p>	<p>The council acknowledges the observations being made by the auditors in respect of Bookkeeping and Accounting Issues and will discuss these points with its accountants to seek improvement in the financial reporting through better communication and organization of internal information.</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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<p>e) Accounting treatment of Government Grants received in any one year requires more attention particularly when no works had been carried out on the project, for which the grants were received, by the end of that financial year;</p> <p>f) Not recognising Central Bank Accounts balances during the years;</p> <p>g) The financial statements prepared are based on a template being made available by the Central Government. These are not amended to ensure that the accounting policies and other disclosures therein are pertinent and applicable to the Local Council in question;</p> <p>12.3 The audit adjustments passed are listed in attached Audit Adjustment Sheet which is attached as Appendix 1 to this Management letter for your perusal</p> <p>12.4 The major risk emanating from poor record keeping and accounting is that of the inability to obtain comfort in the completeness and accuracy of the accounting records. This, in turn raises concerns on the correctness of the financial statements presented to the Council.</p>	
<p><i>Recommendation</i></p> <p>12.5 More attention to detail is necessary to ensure consistency and accuracy both at the transaction entry stage as well in the financial reporting of</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiwí Local Council for the year ended 31 December 2022

<p>these transactions. The expertise and competence of the accountant in the keeping of the accounting records as well as the preparation of the financial statements is critical for the Local Council to obtain comfort in the reliability and accuracy of the financial statements and avoid similar inaccuracies as noted in para 1 points 14 (a) to (g).</p> <p>12.6 It is strongly recommended that the accounting of the Council's affairs is discussed periodically at a meeting set up for this purpose. This will give council the opportunity to meet the accountant, to review and discuss the Council's financial affairs at an interim stage, and to enable it to address accounting issues on an ongoing basis.</p>	<p>The council acknowledges the observations being made by the auditors in respect of Bookkeeping and Accounting Issues and will discuss these points with its accountants to seek improvement in the financial reporting through better communication and organization of internal information.</p>
<p>13 CONTINGENT LIABILITIES</p> <p><i>Weakness</i></p> <p>13.1 We have noted that when searching on the Judgments online portal, the Local Council's judgements are still shown as pending. However, after discussion with the Executive Secretary, it transpired that these have been settled by the Local Council, except for the ones showing on the financial statements.</p>	
<p><i>Recommendation</i></p> <p>13.2 We recommend that the Local Council's Lawyers obtain clearance in respect of such cases which still showing on the Court Judgments online portal.</p>	<p>The council takes note of the recommendation being made by the auditors in respect of contingent liabilities and will aim at seeking advice from its lawyers.</p>

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>14 OTHER MATTERS</p>	
<p>14.1 We encourage deeper analysis of accounting figures presented to the Council, not only by looking and obtaining explanations for anomalies (particularly in regard to Administrative and Operating expenses) but also relating certain costs to related revenue streams (e.g. Cultural event and Community activities costs related to revenue generated from these activities). In other words, the Council should look at reasonableness of accounting figures presented to them.</p> <p>14.2 More robust internal control procedures should be encouraged on an ongoing basis. These tests should be ongoing, supported by regular reports to the Board Council on any weaknesses found in the systems. Only this and the timely reaction to these findings will ensure that robustness of the systems in place.</p> <p>14.6 Last but not least, the Council should ensure fully compliance with other Rules and Regulations (e.g. Health and Safety, Planning Authority, Personal Data Protection etc.) It should encourage regular reviews to ensure that the respective regulations are in place</p>	<p>The council takes note of the recommendations by the auditors and notes that, save for non-material transactions, it does conduct regular analysis of its accounting figures and raises the necessary queries when necessary.</p> <p>The council, through its stretch administrative resources, does attempt on regular basis to improve its internal controls and act on any weaknesses and/or deficiencies.</p> <p>In terms of compliance with other Rules and Regulations, the council takes note of the recommendations and awaits central government to afford the council more resources to conduct compliance audits.</p>
<p>15. CONCLUSIONS</p>	

Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

<p>15.1 More controls should be instigated to improve the level of efficiency within the Council. The Council should also analyse employees' work efficiencies to ensure that optimum use is made of public funds.</p> <p>15.2 We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.</p>	<p>The council, with its limited resources has always strived to conduct its function at law as efficiently as possible with the resources afforded to it, for the benefit of its locality and residents.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2022

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