



16th May 2023

The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana CMR02

Dear Sir

RE: FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2022

Reference is made to the auditors' letter dated 2nd May 2023. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of Local Council Ghajnsielem, we are presenting herewith the following comments:

1. Property, Plant and Equipment

As stated in previous years, the Council could not reconstruct the Fixed Asset Register properly since the sage backups prior to 2007 have not been found on the Council's server. The previous accountant failed to provide the necessary backups. The Ghajnsielem Local Council has reconstructed the fixed asset register from scratch, taking a proactive approach of compiling, categorising and taking photos of all assets held inside the Council premises as well as those found outside the Council premises. Since the sage backups prior to the year 2008 were not provided by the previous accountant, the only option of reconstructing the fixed asset register was to physically identify all assets and match them to the amounts recognised in the financial statements.

With respect to the variances noted in 2.2.1, 2.2.2, and 2.2.3 by the auditors on page 5, the amount of Eur 157,337 in the opening cost of the property, plant and equipment and the amount of Eur 103,751 in the opening depreciation of the property, plant and equipment relates to the difference between the value of the physical assets identified compared to the amounts recognised in the financial statements. The resulting variance of Eur 52,808 relates to assets disposed of and impaired assets which were not written off during the previous years. Since the Council was not provided with the sage backups, the Council could not separately identify the assets impaired or disposed. Included in the variance is also the depreciation calculation errors which were not adjusted by the previous accountant as it has been noted in several previous management reports done by the auditors.

With respect to point noted in 2.3, the line item in the fixed asset register for the construction of the new civic centre, the Council has provided to the auditors, a list of what the Eur 236,750 constitutes. It would be inappropriate to list for example architect fees, Mepa fees, aluminium works, plastering works and electrical works as separate line items since this would defeat the purpose of the build-up of the fixed asset register. Moreover, the Council is in the process of coding its assets at the Council premises in 2014 however it is surely understandable that electrical works and plastering works, for example, would not be asset coded. The proper reconstruction of the fixed asset register makes it easier to regularly reconcile the physical existence of the asset with its record keeping in the ledgers. Please also note that the new civic centre was inaugurated and used for the first time on 3rd March 2012 and from that day that all assets relating to the Council premises have been depreciated, unlike what is mentioned in management report point 2.4.

With respect to the adjustment as noted in management report point 2.5, the Council did not update the fixed asset register when new accountants were approved in mid 2015. The Council tried to reconstruct the fixed asset register in 2017 from where it was left off however due to adjustments done by the accountants at that time, of which adjustments had no explanation whatsoever, the difference had to be written off in the accounts to bring the nominals to agree to the correct fixed asset figures.

With reference to the management report point 2.9 and 2.10, note has been taken of the auditor's recommendations.

With respect to management point 2.12, we appreciate if the auditors give us the details of the project as we were not informed of these variances while the audit was carried out. The council has no way of knowing how to correct these grants if no indication is given as to which project and how the amounts have resulted.

With respect to management point 2.14 and 2.15, the Council has chased the architect's certification on the ongoing projects but was not obtained by the deadline of submission.

2. Receivables

With reference to the management report point 3.1, note has been taken of the auditor's recommendations. The council obtained wasteserv statements and provided this to the auditors with a reconciliation. It is not the council's fault that wasteserv has not recorded the invoices to be shown in the statement as at year end.

3. Payables

Note is being taken of the auditor's recommendations in management report points in respect of payables however the Council cannot be held liable if creditors do not provide statements.

With respect to management point 4.6, due to Betlehem f'Ghajnsielem being organised all through December and first week of January, some invoices are not provided to the council in time for the submission deadline.

4. Income

The Council has noted the auditors' recommendations in points 5.1 however it was just a matter of reclassification on the part of the Council.

5. Expenditure

For the period ended 31st December 2022, the Council was forecasting a balanced budget. Materials and supplies have increased compared to last year due to increased costs. Office services, cleaning, professional services and hospitality services have a material variances and these are due to increased prices.

While it should be ensured that the Council continuously monitors and compares the actual with the budgeted income and expenditure, the auditors' recommendations are taken on board and during the current financial year, funds within the budget would be reallocated and adjusted to reflect shifts emanating from decreases or increases in budgeted income or expenditure on a quarterly basis.

7. Personal Emoluments

With respect to management points 7.1 and 7.2, we do not agree with the auditors whereby the Council provided a reconciliation between the accounts and FS7 where all agreed and there were no variances.

We would like to thank the Auditors for their constructive and professional advice provided during the course of their audit. Where possible, the Council commits itself to implement the suggestions accordingly.

Yours faithfully,
LOCAL COUNCIL GHAJNSIELEM



Kevin Cauchi
Mayor



Lucienne Haber
Executive Secretary