



Nadur Local Council

14th June 2021

The Director
Department for Local Government
26 Archbishop Street
Valletta

Dear Sir

Re: Management Letter – Financial Year 2020

In response to the management letter received by the Nadur Local Council from the auditor, RSM Malta, we would like to remark the below:

1. Follow-up to Last Year's Report.

It is satisfactory to note that the majority of the issues noted on the audit of 2019 were resolved during the year 2020. The issues remaining will be referred to in this year's response.

2. Property, plant and equipment.

With respect to the identification and correct classification of property, plant and equipment, the Local Council always pays great attention in this respect. However, the Local Council will seek to ensure that a greater effort is made so that all property, plant and equipment are recognised in the correct category and in accordance with the accounting policies as outlined in the financial statements. Consequently, the correct depreciation rate will be applied as well.

With respect to the fixed asset register, the Local Council would like to point out that such register was in effect handed over to the auditors during the audit. The Nadur Local Council was able to regularize its fixed asset register in accordance with Directive 01/2017 as from 1st January 2018. In fact, as from this date onwards, all fixed assets are listed item by item in the fixed asset register and included with all requested details. In addition, any audit adjustments and reclassifications passed during the audit are reflected in the fixed asset register accordingly.

MAYOR
Edward Said (MSc Finance)

COUNCILORS
Eucharist Camilleri Deputy Mayor, Dr. Josianne Cutajar (LL.B., Dip. Not., LL.D. Melit.),
Michael Camilleri, Dr. Rita Mifsud (B.A. LL.D.)

EXECUTIVE SECRETARY
Sue Ellen Bugeja

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3. Receivables.

With respect to receivables, it is important to note that the Local Council goes through the list of receivables to check for bad or doubtful debts. The balance due by the Water Services Corporation of Euro 222 was not written off when drafting the financial statements since at that time the balance was still deemed to be receivable. However, the Local Council will seek to ensure the recoverability of all receivables and if such recoverability is in doubt will provide for them accordingly.

4. Bank and cash.

The Nadur Local Council tries to review the list of unpresented cheques every quarter upon issuing quarterly reports. In this instance, the stale cheques were not reversed since upon preparation of the financial statements it was confirmed with the concerned suppliers that the said cheques were actually lost and new cheques were effectively issued to replace the stale ones.

With respect to bank balances, the Local Council carries out quarterly bank reconciliations of all the bank accounts held in its name. The balance with the Central Bank of Malta was omitted erroneously. The Local Council will seek in the future to ensure that all bank accounts held in its name without exceptions will be traced, reconciled and included in the financial statements.

5. Payables.

With respect to the deferred income as at 31 December 2020, this was classified as non-current assets by mistake. In fact, as stated correctly in the management letter, the related projects are estimated to be completed within one year. The Local Council will take greater care to ensure that all liabilities are properly categorized as either current or non-current assets in accordance with IAS 1 – Presentation of Financial Statements.

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6. Expenditure and Tenders.

The discrepancies between actual and budgeted figures, whereby actual expenditure exceeded the budgeted expenditure, as pointed out in the management letter, are being acknowledged. However, it is important to point out that such excesses are not highly material. The greatest excess which may be deemed as material relates to item 6.1.2 – Materials & Supplies (Category 2200). Such category exceeded budget since especially due to the limitation Covid-19 had on the Local Council activities, the Local Council tried to take the opportunity to undergo a lot of repairs and maintenance on public property.

It should be pointed out that the Nadur Local Council is investing a lot of effort to carry out good budget forecasts and to try and regulate its expenditure in accordance to such forecasts.

7. Financial Situation Indicator and Liquidity.

It is important to always keep in mind that the net liability position of the Nadur Local Council does not arise from the day-to-day operations of the Council but from capital projects. Prior to the year 2020 these capital projects related to ones which were not adequately financed by prior administrations. Then, in 2020, variations in relation to a project undertaken for Rural Roads also contributed to such deficit. However in spite of this, the Local Council through a lot of attention and exploitation of each opportunity for alternative finance managed to repay a substantial amount of these variations. In fact, as pointed out in the management letter, it is true that the financial situation indicator is negative and that the Local Council has a deficit position in absolute terms. However, the essential point in this regard should be that the Local Council is doing its utmost to manage and repay its deficit whilst at the same time maintaining its day-to-day activities, annual events and also managing to be innovative and carrying out capital projects by acquiring alternative sources of finance.

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7. Financial Situation Indicator and Liquidity. - Continued

In fact, in spite of the unexpected variations mentioned above, the Nadur Local Council ended up the year 2020 with a financial situation indicator of negative 24.46% which financial indicator remained effectively in line with that of 2019 and did not actually reflect the increase in variations. The Council remains committed to continue taking measures which will lead to further decreases and consequently improve its financial position.

SIGNED

Edward Said
Mayor

SIGNED

Sue-Ellen Bugeja
Executive Secretary

cc: Auditor General, National Audit Office
RSM Malta

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