



KUNSILL LOKALI FGURA

126/128. KUNSILL LOKALI FGURA, TRIQ HOMPESCH, IL-FGURA FGR2015

TEL: 21 664000 email: fgura.lc@gov.mt

Ref. MB/mf/41220

30th June 2020

The Director,
Department for Local Government
26, Archbishop Street,
Valletta

Dear Sir,

Reply to Management Letter – Financial Year – 2019

Reference is made to the above-mentioned letter dated 20th May 2020, received at the Council's Office on the 18th June 2020 concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Draft Management Letter were read and discussed, and where it was deemed appropriate, to forward the following comments:

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2018

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Other Government Income

The auditor's comment noted and the reclassification reflected in the updated financial statements.

Income from rental of civic centre

The auditor's comment noted.

LES administration fees

Our procedure is to issue invoices from the LES system at the end of the month. It is imperative to note that this is obligatory since the LES system requires that invoices are issued from this system. The invoices issued from LES IT system are then posted into Sage Line 50 by crediting the income account and debiting the respective Region's debtor account. Upon receipt of funds, a receipt is issued and funds deposited in the Council's bank account. Payment is posted in Sage Line 50 and a bank reconciliation is performed at the end of the month and as far as we know, no inconsistencies were noted in the bank reconciliation. This Local Enforcement System is a system run by Datatrak and the council does not have any control on the running of this system. Immaterial variance noted and issue was discussed with Datatrak who informed us that this rounding difference may be the result of timing difference between the time when the monthly invoices are run and the running of the annual report.

General income

The auditor's comment noted. The Council was short of staff on those specific dates and thus was unable to send one of the staff to the bank to do the deposit.

3. FIXED ASSETS

It is important to note that the acquisition of property is not included in the FAR since no depreciation is provided on the cost of land property. When one removes the effect of the cost of property from the discrepancy between FAR and the nominal ledger, discrepancy is immaterial. The auditor's recommendation to reconcile the FAR and the financial statements is noted and such discrepancy will be ironed out during 2020.

Comment about the details of the FAR noted. The Council believes that the Fixed Asset Register of the Council is reasonably detailed and that, where relevant, the details requested are included. However, a balance has to be struck between practicality and correct use of information.

The Council will be liaising with its Architect and Engineer to quantify the separate cost of the Second Floor to be able to adopt the requirements of the IAS40.

4. TRADE RECEIVABLES

Pre-regional LES debtors

Comment noted. As am sure all persons involved will understand, the Council is not in a position to take this matter with Loqus on its own since the software managed by Loqus is used by all Local Councils of Malta and Gozo and not only by the Fgura Local Council. Furthermore, it is very important to note that any immaterial difference noted does not have any impact of the financial statements and the finances of the Local Council since balances are more than 2 years old and thus fully written off.

Trade debtors

Noted and the Council is investigating these balances to decide how to best approach the situation. The Council provides depreciation for balances which are more than two years old..

Insurance

Noted and the Council will be updating the values of the sum assured.

5. TRADE PAYABLES

Long Outstanding creditors

Noted. These balances have been analysed prior to the audit and the Council has agreed to leave these balances as outstanding. As explained during the audit, two balances are currently pending legal litigation and the other balance is pending due to service not performed to the Council's satisfaction.

Trade creditors

The Council regularly asks for creditors' statement. However, it is to be noted that the Council does not have any undisputed long term creditors and thus the creditors as at year end were practically less than 30 days old. The Council cannot be held liable if the creditors does not send statements to the Council.

Accrued expenditure

Noted and proposed audit adjustment included in the updated financial statements.

Deferred income

Noted and proposed audit adjustment included in the updated financial statements.

6. MEETINGS

The Council will be abiding with these procedures as from this year

7. FINANCIAL STATEMENTS

The disclosures which were mentioned in the comments to the financial statements/draft management letter were updated in the revised financial statements.

8. ELECTRONIC SITE

Noted but since the Council moved premises during last year, IT system was still being improved and had some uploading problems. Matter now sorted and should be uploading these reports on a timely manner .

IFFIRMATA

Pierre Dalli
Mayor

IFFIRMATA

Cynthia Plumpton
Executive Secretary