



# KUNSILL LOKALI FGURA

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Ref. MB/mf/91721

9th September 2021

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

Dear Sir,

## ***Management Letter – Financial Year – 2020***

Reference is made to the above-mentioned letter dated 10th August 2021, received at the Council's Office on the 13th August 2021 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 2019

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

#### Income from Central Government

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

#### Other Government Income

The auditor's comment noted and the suggested adjustments were reflected in the updated financial statements.

#### Income from rental of civic centre

The auditor's comment noted.

## 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. EXPENDITURE

#### Asset Insurance policy

The Council insures its assets on a replacement value to cover the cost to replace or repair these assets and thus the amount insured is not the Net Book Value but the cost of the asset to be reinstated to the state if it would have been in case of an accident. Another point which is to be taken into account is that the NBV would not include the assets which the Council bought through government grants. These assets need to be covered by the Insurance policy and thus, the cost of these assets would account for the difference being mentioned by the auditors.

#### Personal accident insurance

Noted and the Council will be looking into this matter during the current year.

#### Procurement procedures

Noted. The Council abides by the DLG Procurement Guidelines of 2017. Mentioned cases were one off situations. The IT maintenance agreement is a long term contract and it is not operational possible to change the contractor for the support of our IT hardware. Other expenses were urgent procurements which were made from the usual suppliers for similar expenditure

#### Cultural activities

Immaterial overspending of Eur169 noted.

#### Classification of expenditure

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

#### Christmas dinner

Noted

### 4. 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.

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 uses the FAR software as suggested by the DLG which software only allows the recording of the information as recorded by the Council

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.

### 5. TRADE RECEIVABLES

### Debtors

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

### Confirmation of debtor

Noted and the Council ironed out this difference with the customer and have received payment during September 2021.

### 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.

### Accrued income

Noted and any adjustments as suggested by the auditors were reflected in the updated financial statements.

## 6. BANK

Noted and the Council will be looking into these matters

## 7. 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. Other balances will be analysed during the year under review.

### Supplier statements

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.

### Advance payment

Noted and proposed reclassification included in the updated financial statements.

### Court case

Noted and proposed adjustment included in the updated financial statements. It is to be noted that the Court Case was finalised in 2021 after the unaudited financial statements were approved in February 2021

8. MEETINGS

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

9. SCHEDULES OF PAYMENTS

Noted. The Council will be abiding with these procedures as from this year. Omitted cheque was an oversight.

10. BOOKS OF ACCOUNTS

This matter referred to year end adjustments in Sage Line 50. Such accounting year end would be prepared and posted in the Extended Trial Balance and then reflected in Sage Line50 after the financial statements would have been approved by the Council. Trial Balance as sent to the auditors was agreeing to the approved financial statements

11. FINANCIAL STATEMENTS

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


12. ELECTRONIC SITE

Noted. The Council will do its utmost to update these reports in a timely manner.



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Pierre Dalli  
Mayor



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Cynthia Plumpton  
Executive Secretary