



Your ref: MB/mf/156524

4<sup>th</sup> November 2024

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

Dear Sir,

### **Management Letter – Financial Year – 2023**

Reference is made to the above-mentioned letter dated 23<sup>rd</sup> October 2024, received at the Council's Office on the 30<sup>th</sup> October 2024 concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

It seems that by a human mistake this Management Letter was never answered and we apologize for that

The contents of the 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 2022

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 have passed through a time when we only had the services of a Deputy Acting Executive Secretary after a number of resignations and unfortunately that affected the smooth running of the administrative operations of the Council. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Income from rental of civic centre

The auditor's comment noted. However, it is important to note that although it is correct that FSWS is a Government Entity, the rental of the civic centre is a separate activity from Central Government funding and thus was shown separately to avoid confusion to the users of the financial statements. Mentioned increase noted and has been charged to FSWS accordingly.

Income from Schemes



Noted. The Council has implemented a system with which to account for the income receivable and received from Schemes.

#### Income from Permits

Noted. The Council has implemented a new system with which to reconcile the online permits and the permits paid by cash. This person has been instructed to reconcile these transactions regularly.

### 3. EXPENDITURE

#### Classification of expenditure

The auditor's comment noted and the reclassification reflected in the updated financial statements. However, please do note that during 2023, there was a period of about 4 months during which the same employee who acted as the the Acting Executive Secretary had the role of a Principal and thus, her emoluments during that time were not included as Executive Secretary but was included under Employees Salaries. We believe that a financial packaged of Eur56,194 for the executive secretary is wrong

### 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 auditor's comment about the expenses noted and human mistake is sincerely regretted. The adjustment is reflected in the updated financial statements.

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.



### 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.

### 6. BANK

Noted and the Council looked into these matters and rectify accordingly.

### 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.

#### Collections on behalf of other entities accounted

Noted. Suggested audist adjustment was included in the updated financial statements and the Council will strive to reconcile these balances regularly.

#### Suppliers' statements

Any supplier's statements received are reconciled and acted upon accordingly.

#### Confirmation of creditor balances

Whilst understanding the auditors' requirements, the Council cannot be held responsible if the creditors did not answer to confirm the balances. Having said this, please do note also that ARMS never issue any statements since the following bill will include the balance as per prior invoice. ARMS and other balances would have been paid after year end.

Clayton Cascun Portelli  
Mayor

Gwenith Calleja  
Executive Secretary