



Your ref: 107/2021/17

10th June 2025

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

Dear Sir,

Management Letter – Financial Year – 2024

Reference is made to the above-mentioned letter dated 9th May 2025, received at the Council's Office on the 12th of May 2025 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 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 2023

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 few 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. It is suggested that this matter is discussed in next year's audit so as a decision will be taken where this income will be shown on the financial statements to either change where it will be disclosed or else remove this comment from the management letter.



Income from Permits

Noted. The Council with the assistance of the Executive Secretary has implemented a new system with which to reconcile the online permits and the permits paid by cash. The Council will strive to reconcile the funds daily and then weekly and do the deposits twice a week or as necessary.

3. EXPENDITURE

Classification of expenditure

The auditor's comment noted, and the reclassification reflected in the updated financial statements. However, please do note that the funds received by the Mayor as a Councillor allowance normally shows as a Councillor allowance and thus, we believe that such amount should be shown as Councillor allowance although disclosed on the FS3 of the Mayor. The Eur2400 is not part of the Mayor 'honoraria but Councillor allowance to the Mayor who of course is also a Councillor. It is to be noted as well that during 2024, there was a period of about 1 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.

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 must 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. The Architect is already notified of this and the Council is waiting for her appointment.

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.



6. BANK

Noted and the Council investigated these matters and rectify accordingly. The Council will be depositing the funds received including the cheques twice weekly as per Local Government Procedures.

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 audit adjustment was included in the updated financial statements and the Council will strive to reconcile these balances regularly. The Executive Secretary has taken over this role and will be reconciling these balances regularly to ensure that funds are remitted to other entities in a timely manner.

Suppliers' statements

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

Confirmation of creditor balances

Matter noted and suggested audit adjustment was reflected in the updated financial statements. The invoice mentioned by the auditor was issued around the end of year and the updated invoice would not have been received/processed in the accounts by the time of concluding the financial statements as end of end December, which oversight is deeply regretted. Difference in the balance of Rocco Mifsud is a result of bills which the Council did not accept in the past. This matter is currently being discussed through the lawyers and is currently being analysed further during 2025 to hopefully come to an amicable conclusion.

Clayton Cascun Portelli
Mayor

Gwenith Calleja
Executive Secretary

