

Ref No.: Manlet2019

The Director
Department for Local Government
26 Archbishop Street
Valletta VLT 1443

10th June 2020

Dear Director,

Management Letter 2019

I refer to the Management Letter by RSM Malta for the financial year 2019, which was discussed during council meeting held on Tuesday 23rd June 2020.

1.0 *Follow up to last year's Management Report*

- 1.1 Property Plant & Equipment. Most of the items reported in last year's report have been resolved. The only outstanding remark concerned was that of not properly identified assets. The council is now detailing all of the new assets to be easily identified.
- 1.2 Stocks. We would like to draw your attention to the fact that stamp movement is being reconciled on a monthly basis. Commission earned from the sale of stamps are being recorded on the sale of the stamps on a monthly basis. This has been done from June 2019. The council has also set up a separate cash book so that movements can be recorded on a daily basis.
- 1.3 Receivables. Resolved.
- 1.4 Payables. Noted.
- 1.5 Income. The council will make the necessary changes so that income received from Wasteserv for organic waste collection will be allocated to an income account rather than against the cost of the waste collection. These changes will be effective as of 1st January 2020.
- 1.6 Personal Emoluments. The librarian is the only other employee that is paid by the council. The other 4 workers are scheme workers who hold contracts with their employers CIES. The variances have been noted.

- 1.7 Expenditure and Tenders. Expenditure in certain categories exceeded the budget. This is very minimal. With regards to the purchase requests/purchase orders kindly note our explanation as per previous years:

A purchase requisition is an internal document sent from one department to another requesting the company buy items from an outside vendor. Typically, a purchase order is an external document going to an outside party as part of a sales transaction. The Ghasri Local Council consists of 1 full time employee (the Executive Secretary), one part time employee (librarian), the mayor, deputy mayor and councilors. All purchases are done directly through the Executive Secretary – thus there is no one to send purchase requisitions to in this council and that is the reason that only purchase orders are being done. When someone requires something they come to me and verbally request the material. To fill out a purchase requisition to myself is a waste of resources in a council with no employees.

- 1.8 Liquidity. As was stated in last year's response, there was no liquidity issue last year (2018) as in reality the council had funding for the accrual that was posted. As one can see from the financial statements this issue no longer exists.

2.0 *Property, Plant and Equipment*

2.1 The lack of details of computer equipment in the fixed asset register is noted. This dates back to previous council management. An effort will be made to distinguish the equipment.

2.2 The council will update it's fixed asset register.

2.3 This has been noted.

2.4 Noted.

2.5 Noted.

3.0 *Stocks*

3.1 The council reconciles on a daily basis the income received from payments of invoices (ARMS, GO, etc). These are then deposited weekly into the bank. Stamp movements are reconciled on a monthly basis. Income from sales of stamps is deposited on a monthly basis. Please note that these are not council funds but Maltapost funds, we are simply providing a service to our residents and others that frequent the council to use this service.

3.2 The council keeps a ledger of all stamps sold on a monthly basis. It has taken steps so that a daily record is kept as well.

3.3 The commission earned from the sales of stamps is not recognized on the purchase of the stocks but rather at the end of each month when reconciliation is done.

3.4 The Council will ensure that it is compliant with IFRS 15.

4.0 Receivables

4.1 This has been noted.

4.2 This has been noted.

4.3 This has been noted.

4.4 This has been noted.

5.0 Bank and Cash

5.1 & 5.2 The council has taken note of the auditor's remarks and will make the necessary adjustments.

6.0 Payables.

6.1- 6.3 The council has taken note of the remarks made by the Auditor.

7.0 Income.

7.1 & 7.2 The council has taken note of the remarks made by the Auditor.

7.3 & 7.4 The Council has taken note of the auditor's remarks regarding income (reimbursement of expenses) for both organic waste collection and librarian's fees. The necessary adjustments have been made so that income from these two entities are posted in the income accounts even though they are reimbursements. se have been rectified in 2019 to reflect that all payments are posted in the salaries account whilst the income is posted in library income account.

7.5 & 7.6 The council has taken note of the remarks made by the Auditor.

8.0 Personal Emoluments.

8.1 The only full time employee with the council is the executive secretary. A signed contract is in place. The only other employee is the council librarian who is partially paid by the Libraries Department.

8.2 Upon hiring of new employees the council will ensure that a signed contract is in place.

8.3 Noted.

8.4 Noted.

8.5 This error has been corrected. Correct reporting is taking place.

8.6 Noted.

8.7 Noted.

8.8 Noted.

8.9 Noted.

8.10 Noted.

9. Expenditure & Tenders.

9.1 The amounts of over budgeting in certain categories was minimal. One must note that the council had excess funds in other categories.

9.2 Noted.

9.3 Noted.

9.4 This has been explained in 1.7

9.5 Noted.

9.6 The amount of €7,960 during the year that was not tendered for was for 2 separate projects. Each amount fell under the €5,000 obligatory quotation amount. However, the council will take action so that a formal call for quotation will be issued for the supply of material.

9.7 – 9.9 Have been noted.

Sincerely yours,

Dr Daniel Attard
Mayor

Rita Mifsud Attard
Executive Secretary

c.c. Awditur Generali, Uffiċċju Nazzjonali tal-Verifika.
RSM Malta, Uditur tal-Gvern Lokali