

Ref No.: Manlet2020

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

27th May 2021

Dear Director,

Management Letter 2020

I refer to the Management Letter by RSM Malta for the financial year 2020, which was discussed during council meeting held on Friday 18th June 2021.

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

1.1 Property Plant & Equipment. As stated in your Management letter the council did try to resolve this fault. However, one must note that items being noted are old items bought by different persons and it is difficult for present administration to identify and label these items. However, these are now very minimal.

With regards to the depreciation being done on a yearly basis rather than a monthly basis we have communicated this to our accountant for the necessary adjustments.

1.2 Stocks. This item was remedied as noted in the Management Letter.

1.3 Receivables. Resolved.

1.4 Bank and Cash. The stale cheque – there was 1, has been cancelled.

1.5 Payables. Resolved.

1.6 Income. Resolved as noted in the Management Letter.

1.7 Personal Emoluments. A contract exists for the Executive Secretary. 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.

- 1.8 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 why only purchase orders are being done. When items need to be purchased it is I who issues the purchase orders. To fill out a purchase requisition to myself is a waste of resources in a council with no employees.

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. All new items bought are being entered into the fixed asset register with the necessary details.
- 2.3 This has been noted.
- 2.4 Noted.
- 2.5 Noted.
- 2.6 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 and a payment (cheque) is issued to Maltapost (on the same day as the deposit). 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 A monthly reconciliation of stock of stamps and stamp sales is being done.
- 3.3 The overstated stock is something that has been carried over from precedent years.
- 3.4 Monthly reconciliations of the stock is being done.

4.0 Bank and Cash

- 4.1 The stale cheque amounting to €254 has been cancelled.
- 4.2 Noted.
- 4.3 Income derived from permits and other sources will be kept separately as per your recommendation. Please note that these items were being posted individually and were very traceable.
- 4.4 The council has taken note of your recommendation and will be adhering to it.

5.0 Personal Emoluments

- 5.1 The only employee who does not have a contract with the Local Council is the part time librarian/clerk. She has been employed with the council for over 15 years. She was hired on a part time basis as a librarian and was given the internal post of part time clerk with the council.
- 5.2 Noted
- 5.3 The council has taken note of this and has remedied this situation.

6.0 Expenditure and Tenders

- 6.1 The council has taken note of your comments regarding overstatement of budget. One must note that during the year the council is sometimes given additional funding from various government sources that are not considered when drawing up the budget.
- 6.2 The Ghasri Local Council takes care to draw up all necessary reporting which include a yearly budget, 5 year business plan, quarterly reports and an administrative report.
- 6.3 The Council has noted your recommenation.
- 6.4 With reference to the purchase requests/purchase orders, kindly note that the Ghasri Local Council's administration consists of 1 Executive Secretary and a part time librarian/clerk. A purchase requisition is an internal document in which one department is asking another department for permission to buy goods or services. A purchase order is created after the requisition and is a document that is used to actually purchase those goods or services from an outside vendor.

Purchase requisitions are more interdepartmental forms that allow larger organizations to handle their accounting and finances better. The bigger the business, the more the need for a procurement process. You simply cannot track the flow without putting it on paper.

Thus, the Council issues purchase orders when purchasing items from retailers, however the need to issue separate purchase requests to the same persons issuing purchase order is actually quite redundant.

- 6.5 The council does issue purchase orders and thus is able to identify all liabilities at year-end.
- 6.6 The Ghasri Local Council is only 1 of 3 Local Councils that offer the services of a Sub Post office from its' offices. The system is service based. All money collected for payments of utilities is reconciled daily and money deposited weekly. Leftover funds are solely the property of the Local Council. The same can be said for the postage stamps which were originally bought by council funds. The system is foul proof.
- 6.7. The system is reconciled on a daily basis as that is how the system works and any funds that are not due to Maltapost are Council funds. The council began this system with 0 funds.
- 6.8 The council used the same legal services as in the past for the evaluation of tenders based on the quality of the service as well as the low price.

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