



Central Regional Council

30th September 2021

Management Letter – Financial Year – 2020

Dear Sir/Madam,

Reference is made to the above-mentioned letter dated 26th August 2021, received at the Region offices on the 17th September 2021 concerning the systems and controls used by the Region to safeguard the Region's assets in line with prevailing legislation dealing with local councils.

The contents of the Management Letter were read and discussed, where it was deemed appropriate to forward the following comments

1. PREVIOUS MANAGEMENT LETTER

The Regional 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 Regional Council. The Regional Council will strive to continue to improve its operations during the coming year.

2. OPENING BALANCES

The nominal accounts in question have been duly marked as Income Statement Accounts in the Accounting package.

3. RECONCILIATION OF BOOKS OF ACCOUNT TO UNAUDITED FINANCIAL STATEMENTS

Point duly noted.

4. INCOME

Reimbursement of expenses and salaries from LESA

Comment by auditors has been noted and requested adjustment has been made by the Central Regional Council in the audited financial statements.

We have also taken note of the auditor's suggestion and will make sure that the Regional Council will issue and record credit notes during the period to which they relate and thus avoid overstating the income and receivables.

General Income

We have taken note of the auditor's recommendation.

LESA Cultural Funds Project

Point noted.

Income from LESA

We are fully aware of this and we always make our best to issue the requested invoices within the first week of the month. However the only three invoices mentioned were issued due to unforeseen circumstances. Nonetheless, as per our records, we have always issued an invoice within the stipulated time frame and will make sure that this does not happen again in the future.

5. PAYROLL

FSS Statutory Documentation

Point duly noted.

Payment of Overtime

All overtime carried out by the employees is monitored by the Executive Secretary since she is the person in charge. The over time carried out during 2020 was by the tribunal staff due to the numerous amounts of cases heard at the tribunal office and since we are still without a Deputy Tribunal Registrar.

However we assure you that any over time requested is always approved and monitored by the Regional Executive Secretary.

6. EXPENDITURE

Petty Cash Summary

We were unaware of this procedure. However, we have taken note of this recommendation and this will be implemented in our future petty cash summaries in order to ensure that payments are correctly allocated in the books of account.

Procurement Procedures

The requested quotations for both the Perspex screens for the tribunal office as well as the distribution of flyers were in hand and were provided to the auditor.

We assure the auditors that we have always made sure to proceed in accordance with the Procurement Guidelines 2017 issued by the Department for the Local Government and that all the requested documentation can be found in our files.

Payment Approval

This statement is incorrect since the payment was included in the schedule of payments number 34B on 17th June 2020 and cheque payment was sent by post the following day. We confirm that the date on the cheque was that of Thursday

Quotations for the requested service were presented during the Regional Council meeting on 20th May 2020 and this is reflected in the respective Regional Council minutes.

Insurance Policy

Whenever the Net Book Value of Assets in the financial statements is lower than the Reinstatement Value of same assets, the higher of value takes precedence and therefore assets are insured on the higher value. Even though the Regional Council rents the premises and does not own them, the Regional Council deems it fit to insure such premises.

Expired Contracts

A new agreement was going to be carried out when the agreement for the tribunal office was also prepared. However this was put on hold due to the reform on the Regional Councils and the Local Councils which took place in 2019. We already have a draft agreement in hand prepared by the notary however, earlier this year, 2021, we were informed that the sixth Regional Council is going to be in place as of January 2022 and therefore the new Regions are going to be formed.

According to this reform, the Central Regional Council will no longer be active since there is going to be a change in localities pertaining to it. As of January 2022, the Region will be called 'Reġjun Lvant' and will be composed of twelve localities. The locality of San Gwann, where our administration and tribunal office are currently placed, will no longer form of 'Reġjun Lvant' and therefore new premises will be needed.

However, the Central Regional Council has taken note of the auditors recommendation and will finalise an agreement for a short period.

As has been explained to our auditors, this Regional Council didn't issue any extension letters since this tender was to be absorbed by the established agency, LESA (Local Enforcement System Agency) as at 1st October 2015. This Regional Council was given legal advice that this contract should not be signed by this Regional Council since the services are being carried out for LESA.

Use of Mobile Phone

We are fully aware of the procedure stipulated and we had requested Melita PLC to have the contract address the Central Regional Council and not the Executive Secretary. In fact all our contracts are on the

Central Regional Council. However, since the mobile service plan was not a Business plan, the company had to use the individual's name.

IFRS 16 'LEASES'

The Regional Council will perform an IFRS 16 assessment and record the lease of the tribunal premises under Right of Use of Asset in the future.

7. LOCAL ENFORCEMENT SYSTEM

Cancellation and Waiver of Contraventions

No waiving or cancellation of tickets were carried out during 2020 by the Regional Council's Executive Secretary. We were unaware of any cancellations or waiving made since these are carried out upon the instructions given by the Agency, LESA.

We have verified this informed and datatrak have also provided me with the emails showing the requests made. None of which have been made by the Executive Secretary or any other person from the Regional Council.

We kindly ask the auditors to refer to Directive number 3/2016 which was issued by the Director of the Local Government on 5th August 2016.

I have also been informed that waiving of tickets carried out were approved by LESA due to continuous offences as per the quoted Directive of if the person passes away.

Collections

This Regional Council is the only Regional Council who has made numerous attempts at sending out legal letters to offenders in order to collect any unpaid contraventions.

Loqus System

Mentioned amounts can be easily be verified by the auditors to the supporting documentation if requested. LES expenses and payables are verifiable to invoices and payment vouchers of LES related contractors while receivables and provision for bad debts can be traced to reports as issued from Loqus system as at end of the year. The Regional Committee feels that an audit of the IT system of Loqus is outside its control and matter can be addressed to Department for Local Government to liaise with an evaluation and audit of the IT system of the LES external service provider.

8. CASH AND CASH EQUIVALENTS

Final Withholding Tax

We have taken note of the auditor's recommendation and we have contacted Bank of Valletta in order to instruct them not to withhold tax since it is exempt from income tax.

9. RECEIVABLES

Point duly noted.

10. TRADE AND OTHER PAYABLES

Supplier Statements

As noted by the auditor, we send many emails asking for statements however we don't always find the requested cooperation from the supplier.

Other Creditors

The difference identified of €68.12 will be duly investigated and properly accounted for.

We have asked for the Department's guidance immediately after all projects were concluded. However we are still not given the instructions on whether or not these unutilised funds are to be returned.

Point noted.

Unrecorded Liabilities

We have amended the financial statements and have included the audit adjustment and recommendation has been noted.

11. FINANCIAL ASSISTANCE GIVEN BY THE REGIONAL COMMITTEE TO THE LOCAL COUNCILS WITHIN ITS REGION

The auditor's recommendations have all been reflected in the audited financial statements and have taken note for future reference.

12. COMPARISON WITH ANNUAL BUDGET

Point duly noted.

13. BUDGET

Point duly noted.

14. ELECTRONIC SITE

This was an administrative error on our side

The quarterly financial reports were uploaded on 16th April 2020, 27th July 2020, 30th October 2020 and 22nd January 2021.

We confirm that minutes number 31 and 41 were recorded that they weren't uploaded within the stipulated timeframe. However minutes 31 had the title modified at a later stage in order to have all titles with the same format. However minutes number 34 were approved during meeting held on 20th May 2020 and were uploaded on 21st May 2020.

We always make sure that all requested documents are uploaded the following working day of the meeting.

We have taken note of these administrative errors and will make sure that we avoid from having such errors.

Uploading of management letter and other documents

We were unaware of the point and we shall be consulting our Data Protection Officer as well as the Department for clarification.

15. MEETINGS

Meeting Regulations

Point duly noted as this was an administrative error and meeting number 36 was an urgent meeting which misled me to the confusion in dates. We will make sure that this error is not repeated.

Schedule of Payments

The Central Region has always followed the guidelines stipulated in Memo 37/2011 in the template guide, number 16 states that one must "enter the Cheque number of the respective payment if payment was made before the Council's approval due to its urgency. Group these payments at the beginning of the schedule or after to report them separately. Leave blank if not applicable."

We cannot write not the number of the cheque or the reference of the internet banking transfer if the payment is always issued the following day the Regional Council meeting is held. The only payments issued before the meeting are the utility bills.

With regards to the account numbers and purchase orders, we have made sure that these will be included as we were not aware of this point.

16. FINANCIAL STATEMENTS

As pointed out by the auditors, the Regional Committee has correctly amended the financial statements.

17. OTHER OBSERVATIONS

Point duly noted.

IFFIRMATA

Michael Fenech Adami
President

IFFIRMATA

Jeanette Galea
Executive Secretary

Date: 30th September 2021

