



15th July 2020

Management Letter – Financial Year – 2019

Dear Sir/Madam,

Reference is made to the above-mentioned letter dated 20th May 2020, received at the Region offices on the 26th June 2020 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. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2019

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. EXPENDITURE

LES Service Tender

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.

Contracts inherited from Sliema Joint Committee

As explained to our auditors, the contracts initially entered by the then Sliema Joint Committee (which include the authorised officer services and prosecution services) had to be absorbed by LESA with the exception for the authorized officer whose contract was stopped in 2015 on DLG's orders. During mid-2019, the Ministry for Justice, Culture and Local Government (MPU) issued a call of tender for the services of prosecutors for the Local Enforcement Systems Agency and the new prosecutors started as of 1st November 2019.

Therefore both services mentioned here have now been tackled and concluded.

Budget vs actual expenditure

The Regional Council did not budget for the government allocation for 2019 since it was not known at the time the budget was compiled. Also the budgeted President's Honoraria differs, since the increment was given during 2019, that is after the budget was completed.

3. LOCAL ENFORCEMENT SYSTEM

Loqus system

Noted. 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.

4. PROPERTY, PLANT AND EQUIPMENT

Insurance Cover

The Regional Council took note of the recommendation and will contact the insurance company Citadel Insurance in order to adjust the insurance policy covers upon renewal as proposed.

Depreciation

The auditor's recommendations were included in the approved financial statements.

Classification of PPE

This Regional Council has approved the auditor's proposed amendment and has reflected it in the audited Financial Statements.

5. ACCRUED INCOME

This Regional Council has approved the auditor's proposed amendment and has reflected it in the audited Financial Statements. We have also taken note of the auditors' recommendation regarding this in order to ensure that any related income is recognised in the period which the expense is recognised.

6. FINANCIAL STATEMENTS

Presentation of Financial Statemets

With regards to the Expected Credit Loss Model, on the Regional Council's financial assets, cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Central Regional Council banks only with a local financial institution with a high quality standing or rating. At 31 December 2019, cash and cash equivalents are held with counterparty with a credit rating of BBB and are callable on demand. The Central Regional Council considers the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Central Regional Council.

Other Observations

For future presentations, the note on the Council Secretary's salary and allowances will be declared excluding the Regional Council's share of Social Security Contributions, as suggested by auditors.

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Michael Fenech Adami
President

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Jeanette Galea
Executive Secretary

Date: 22nd July 2020