



27th June 2016

Mr. Adrian Mifsud
Director
Department for Local Government
26, Archbishop Street,
Valletta

Dear Sir,

Management Letter – Financial Year – 2015

Reference is made to the above-mentioned letter dated 5th May 2016, 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 by the Council, where it was deemed appropriate to forward the following comments:

1. **FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2014**

The Council has addressed to the best of its abilities all matters which were mentioned in last year's management report, other than those, which were outside the control of the Council. Furthermore, it is to be noted that the Council had a new Executive Secretary and a new Accountant during the year under review and matters raised in the management letter of 2014 were addressed to the best of the Council's capabilities. The Council will continue to strive to improve its internal control procedures during 2016.

2. **PROPERTY, PLANT AND EQUIPMENT**

Comments about documentation and classification between expense and fixed asset noted and the Council will do its utmost for the next financial statements. Comment about the updated in the Fixed Asset Register noted and will be investigated during the year under review.

3. **RECEIVABLES**

It is to be noted that although mentioned amount with Gozo Region is not material, the Fontana Local Council has correctly accounted for this balance under Accrued Income since the invoice was issued only in January 2016 and as at year end was not included under Debtors.

4. **BANK AND CASH**

Comment about petty cash noted. Whenever a cheque to petty cash account will be issued, the Executive Secretary will give a breakdown of the purchases related to that cheque to all council members during an official council meeting. This will also increase transparency and accountability in managing public funds.



5. PAYABLES

Comment about old payables balance noted. Proposed audit adjustment was posted in the updated financial statements.

6. EXPENDITURE AND TENDERS

Whilst noting the Financial Procedures (1996 – Finance), KLP1/96, P1.09b, one have to keep in mind that certain requests would be required urgently and thus would be practically impossible to issue purchase requests and purchase orders, especially for repeat purchases from the same suppliers. However, it is important to note that the Council is doing its utmost to, whenever possible, issue purchase request and purchase orders. The auditors' comment has been noted and the Council does its utmost to request fiscal receipts for all payments issued to all suppliers. However, a number of suppliers didn't forward their fiscal receipts although the Council did chase these suppliers to collect their receipts. Mentioned increase in cost in the Cleaning and Maintenance of Parks and Gardens is a result of a one off expense for the cleaning and rehabilitation of the Xlendi valley as recommended by the auditors in one of their audit adjustment. Increase in the hospitality cost was compensated by a similar increase in the income of community services being the recharges to the persons who attended activities organised by the Fontana Local Council.

7. PERSONAL EMOLUMENTS

Comment about discrepancy noted and the Council will do its utmost that such discrepancies will not repeat in 2016. It is important to note that no discrepancy was found between the FS5s, FS7 and the FS3s in the Social Security Contributions and FSS payments and that there was no discrepancy in the payroll reconciliation.

8. OTHER MATTERS

Comment about the accounting records for 2016 has been noted. They are how being updated by the Acting Executive Secretary. With regards to the approval of the council budget for the year 2016, it is important to note that this budget had to be approved during the council meeting which was scheduled to take place on Monday 29th February 2016. However, since the Executive Secretary informed the council less than two hours before the commencement of the meeting that she was unable to attend, the Council could not hold the meeting. After that, the Executive Secretary called an urgent meeting for Friday 4th March 2016 so that the Council can appoint an Acting Executive Secretary. The Acting Executive Secretary (undersigned here) was appointed by the Department for Local Government on 19th April 2016.

Yours faithfully,

SIGNED

Saviour Borg
Mayor

SIGNED

Ivan Attard
Acting Executive Secretary

Cc: Ms Tanya Mercieca – Audit Manager – National Audit Office