

31st May 2017

Director,
Department for Local Government
26, Archbishop Street,
Valletta

Dear Sir,

Management Letter – Financial Year – 2016

Reference is made to the above-mentioned letter dated 8th May 2017, received at this office on the 10th May 2017, 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 2015**

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 only the services of an Acting Executive Secretary during the year under review and although he addressed last year's comments to the best of his abilities, as noted also in this year's letter, his time at the Council was limited. The Council will continue to strive to improve its internal control procedures during 2017.

2. **PROPERTY, PLANT AND EQUIPMENT**

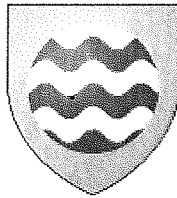
Comment about the update and reconciliation of the FAR to the Nominal Ledger is noted with appreciation. It is to be noted that depreciation is calculated through the Fixed Asset Register and although the auditor's comment was noted and adjustment posted in the updated financial statements, one cannot understand from where this difference in depreciation is arising.

3. **BANK AND CASH**

Comment about petty cash noted.

4. **PAYABLES**

Comment about old payables balance noted and the matter will be discussed by the Council to decide whether these balance should be written off. Proposed audit adjustment posted in the updated financial statements.



5. 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. Mentioned overspending when compared with budgets in utilities and office services is noted. However, this year's cost of office services is less than the actual of last year. The actual cost of transport in the financial statements is of Eur366 and thus the Council cannot understand how the auditor noted an increase of Eur1062. Same applies for Information Services. Contractual services decreased by Eur14,177 when one compares 2016 with 2015. Community and hospitality's actual cost when compared to last year is actually a marginal decrease. Any overspending in same category when comparing to the budger 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.

6. PERSONAL EMOLUMENTS

Comment about discrepancy noted and the Council will do its utmost that such discrepancies will not repeat in 2017. Its important to note that no discrepancy noted from the Inland Revenue Department when submitting the FS3s and FS7 in the Social Security Contributions and FSS payments. Thus, the Council believes that any discrepancy noted by the auditors was either an issue of misplaced FS5 or else already adjusted for during the Council's end of year payroll reconciliation. It is also to be noted that no discrepancy in the payroll reconciliation was found.

Yours faithfully,



S. Borg
Mayor



H. Grech
Executive Secretary

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