



31st March 2021

Director,
Department for Local Government
26, Archbishop Street
Valletta

Dear Sir,

Management Letter – Financial Year – 2020

Reference is made to the above- mentioned letter dated 29th March 2021, received at the Local Councils' Association offices on the 29th March 2021, concerning the systems and controls used by the Association to safeguard the Association's assets in line with prevailing legislation dealing with Local Councils.

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

1. Follow-up to Last Year's Report

The Association has addressed to the best of its abilities all matters which were mentioned in last year's management report. The LCA will elaborate further on point number 1.1, 1.2, and 1.4 in the sections below. Regarding the Business Plan, the LCA has launched its Vision 2020 – 2024, which Vision was approved by the current Executive Committee and endorsed by Mayors and Councillors. Hence, the Business Plan was drafted and approved on the period, i.e. 2020 – 2024. Moreover, reference to point 7.2 of the Management Letter, the Auditors remarked that the financial procedures applicable for the LCA require it to draw up a three (3) years business plan.

Moreover, the Association will strive to continue to improve its operations during the coming year.

2. Remarks regarding Financial Year 2020

2.1 Property, plant and equipment

- 2.1.1 As indicated in the below Figure, the FAR features any items which were fully depreciated over the years. The LCA would like a clarification from the Auditors on which items the Management Letter is referring to. Any items which do not feature in the FAR were listed as Write-Offs, approved during Executive Committee meetings and disposed according to the regulations. All documents requested during the auditing process were given to the Auditors accordingly. It seems that the auditors seem to be confusing the requirements of Direttiva 1/2017 with the write off of the Fixed Assets. LCA regularly writes off any fixed assets which do not have any use to the Association. The assets which were written off in line with Direttiva 1/2017 are not included in the FAR.



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Fixed Asset Valuation by Category

| Asset Ref From | Asset Ref To | Asset Cat From 0 | Asset Cat To | 100 | | | | | |
|----------------------------------|---|------------------|--------------|---------|--------|---------|------|------|------|
| Asset Ref From 22222222 | | | | | | | | | |
| Asset Ref To 100 | | | | | | | | | |
| Name Office Furniture & Fittings | | | | | | | | | |
| Asset Ca 1 | Details | Cost | Price | clation | Rate | ti onto | Date | Net | Book |
| 003 | Tall Cupboard w/Doors 401 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 007 | PH Kyoto umbrella stand (black) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 013 | One boardroom oval table with squared ends 274 X 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 018 | Tall cupboard for glass bottom doors | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 022 | 103 deskheight cupboard w/filing | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 027 | One Coat Hanger | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 028 | 70 folding chairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 031 | plaque brass 45cm X 14cm X 1.5mm ANL (1) | 32.13 | 34.76 | 32.13 | 0.00 | | | | |
| 032 | plaque brass 45cm X 14cm X 1.5mm ANL (2) | 32.34 | 34.24 | 32.34 | 0.00 | | | | |
| 036 | Malta flag_ EU flag_ LCA flag | 55.03 | 31.77 | 52.44 | 2.59 | | | | |
| 038 | Penrinx Sign_ 500 X 500 X 10 mm ANL premises | 68.03 | 31.77 | 64.83 | 3.20 | | | | |
| 046 | N2 Desk_ N2 Dashes Pedestal on Castors_ N2 Excoati | 296.46 | 21.87 | 194.48 | 101.98 | | | | |
| 050 | five step aluminium ladder | 22.75 | 19.18 | 13.08 | 9.67 | | | | |
| 051 | 3 X foam fire extinguishers_ 3 X CO2 extinguishers_ 1 | 282.19 | 18.89 | 159.93 | 122.26 | | | | |
| 052 | sign_ 22cm X 15cm w/5mm brd + 4 fittings and test | 19.16 | 17.50 | 10.05 | 9.11 | | | | |
| 054 | Photo Frames | 157.17 | 16.83 | 79.35 | 77.82 | | | | |
| 165 | Roller Blinds | 668.08 | 10.92 | 218.85 | 449.23 | | | | |
| Fixed Asset Valuation by Categ | | | | | | | | | |

Fig. 1 – FAR (fully depreciated value)

Depreciation is automatically monthly generated from the Sage Accounting Software. The LCA works with Sage Line50 accounting software hence, we are limited to features provided in the package. We shall be communicating the above with the suppliers so that if this feature is available in this software we will implement accordingly.

2.2 Lease Liabilities

2.2.1 Matter about leases was clarified during the audit and the requested schedules were presented and agreed upon during the same audit.

2.3 Expenditure

2.3.1 Comment noted. The LCA needs to comment that there were seven transactions in all with a total amount of €210. As stated in the Management Letter, these were tokens for main stakeholders who were constantly supporting the LCA to draft and implement its Vision, Re-Branding Campaign and also establishing media platforms to promote the LCA role amongst residents. The LCA is grateful to all the stakeholders who are continuously supporting the LCA Vision, projects and initiatives and we believe that if the LCA was to pay for such services offered voluntarily by these stakeholders, the LCA had to fork out thousands of Euros.

2.4 Procurement Procedures

2.4.1 As explained to the Auditors during the Auditing Process, the LCA requested quotations from different suppliers, 7 suppliers in total. Quotations were gathered according to the same specifications including material to be used and design. Furniture was needed urgently to be able to allocate the staff distinctly from each other due to the COVID-19 health and safety restrictions. The LCA purchased the furniture from three different suppliers, as suppliers were very tight with deadlines the purchase was divided into three different lots. The three chosen suppliers were the cheapest. As one can see from the quotes obtained, other competitors were thousands of Euros more expensive and such difference would have also transpired if a public call was issued. Furthermore, since the furniture had to be custom made, it was impossible to include such details in a public call to obtain the correct price without having to pay more. In this instance, all three quotes



approved were less than 5000 euro. Therefore, we respectfully the auditors reconsider this remark.

- 2.4.2 Comment noted. The Association is trying its best to adhere to the public procurement regulations. In fact, all quotations and tenders for all purchases are documented and made available to the Auditors.

2.5 Revenue and Accrued Income

- 2.5.1 Comments pertaining the Revenue and Income were noted. The LCA acknowledges that errors and omissions in point 6.1 was an oversight during the accounting process. Matter was discussed and agreed during the audit.
- 2.5.2 Regarding point 6.3 the LCA needs to remark that this was not related to the rent of property but to an MoU with LESA. The invoice was issued in January 2021 because the LCA was still negotiating new terms and conditions with LESA.

2.6 Budget and Actual Expenditure

- 2.6.1 The LCA would like to highlight that in previous years a Revision of Budget was carried out. In year 2020, we were facing uncertainty due to COVID-19 pandemic. In this regard the LCA was adhering to directives as issued from time to time by the Health Department and act accordingly. In fact, it was very uncertain whether events, conferences, seminars, travelling and other activities which require physical attendance were going to be permitted throughout the year. Hence, the LCA was not in a position to shift funds from one line item to another. Hence, a Revision of Budget was not feasible. Also, because we were hoping that the Pandemic situation improves, such activities would be organised in the last quarter. Obviously as we all know, the Pandemic got worse, and it was useless to adjust the budget in the last quarter.

2.6.2 The below comments were highlighted:

- Repairs and upkeep – the LCA had to do urgent alterations using gypsum boards to respect social distancing in offices.
- National and International Memberships – it was decided by the Executive Committee that toward the end of Year 2020, the LCA enrolled its membership with ACR+. Fee for this membership was shared amongst the 5 Regional Committees and LCA.
- Contractual Services – the main increase in this line item was due to the increase in frequency in office cleaning and sanitasation of the offices and the whole building due to COVID-19 pandemic. Moreover, building sanitasation was carried out twice due to COVID-19 positive cases. These were unforeseen circumstances which have led to additional expenses to what was budgeted.
- Community and Hospitality – the main sources of expenditure in this line item were all related to the COVID-19 pandemic. The LCA assisted Regional and Local Councils to distribute gloves, masks and hand sanitizers to all Local Councils' employees. The LCA



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also shared the cost with Regional Councils to distribute social distancing stickers in all localities.

2.6.3 The LCA would like to highlight that all the required Financial Reports were done and are all made available to the public on the LCA website. Moreover, all reports were approved by the Executive Committee and submitted to the Local Government Division on time.

2.6.4 The LCA do not agree that a Revision of Budget will be carried out quarterly.

2.7 Other Matters

2.7.1 Year end journal entries are posted on the Extended Trial Balance directly and such postings will be covered by the year end working file which file will include the accruals, prepayments, accrued income, deferred income, etc.

2.8 Presentation of Financial Statements

2.8.1 Comments in this regard noted, Financial Statements were updated and presented accordingly.

2.9 Responsibility Statement

2.9.1 We would like to thank RSM for their service provided during this Audit process. Should the LCA feels the need to perform a more extensive study in this regard a public call on the Public Procurement Platform will be issued accordingly.

Yours faithfully,

Mr. Mario Fava
President

Ms. Lianne Cassar
Executive Secretary

Cc: Ms. Tanya Mercieca – Asst. Auditor General