



8th June 2020

Director,
Department for Local Government
26, Archbishop Street
Valletta

Dear Sir,

Management Letter – Financial Year – 2019

Reference is made to the above- mentioned letter dated 14th May 2020, received at the Local Councils' Association offices on the 5th June 2020 via email, 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. Previous Management Letter – Year Ended 31 December 2018

The Association has addressed to the best of its abilities all matters which were mentioned in last year's management report.

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

1.1 Property, plant and equipment

- 1.1.1 The Association acknowledges the auditors' remarks and will continue to maintain an updated FAR in line with the regulations.

1.2 Receivables

- 1.2.1 Accrued income is mainly made of Suneagle balances, which amounts are included in the provision for doubtful debts.
- 1.2.2 A provision is provided for the projects which the Association believes are not recoverable (Suneagle).

1.3 Expenses

- 1.3.1 The Local Councils' Association have issued the tender for the Insurance services during 2018 however, one of the bidders appealed. Therefore, it was decided to continue the service so that Local Councils' members and employees and LCA property and assets will be covered for the year 2019. At the end of 2019, tender was issued again and awarded accordingly.



- 1.3.2 The Association was aware that the Auditors will comment on the donations given during 2019. However, the Association believe that the Local Councils' shall have the autonomy to contribute to good causes, on social welfare brought forward to the respective Local Council. When the Councils' decides that such donations are of benefit of the society.
- 1.3.3 As explained to the auditors while carrying out the audit process, the invitation was opened to all Mayors, Councillors, Executive Secretaries, and employees. The total number of registrations was high when compared to the actual attendance. The LCA catered for the number of registered attendees.
- 1.3.4 As described in detail in last year management letter, the Association remarks that all quotations were obtained by email for the venue and catering. On several occasions more than three quotations were obtained as the LCA wants to guarantee the best prices since the cost will eventually be paid by the Local Councils whose Mayors and Councillors attend for the Conferences. Moreover, the frequency of the Plenary Sessions and Mayors Meeting varies from one year to another and according to the exigences of any current affairs. Moreover, the number of participants from one conference to another varies and sometimes accommodation will be needed as well. The LCA cannot afford having only high-class hotels interesting to submit their offers since there again any fees need to be paid by the Local Councils. Hence, it is in the LCA best interest to bargain and get the best market prices along with good service for such events.

1.4 Payroll

- 1.4.2 The LCA priority was to carry out the re-branding process and launch the LCA vision for 2020 – 2024 in the most effective and efficient way. This added load of work from the daily office work was complimented by the sudden resignation of one of the LCA employees. Obviously, the main priority was to get things up and running and employees were put on stop leave. The LCA was working on skeleton staff, with the Executive Secretary working for very long hours and two other employees working beyond office hours. It is non-sense to have employees pressed to take their leave and on other days the LCA paying overtime to the same employees.

1.5 Financial Statements

- 1.5.1 Comment 4.2 noted and mentioned requested disclosures were included in the updated set of financial statements.

1.6 Budgets

- 1.6.1 For the first time, the LCA launched its vision for 2020-2024. The LCA shall be working on the 5 years budget plan 2020 – 2025.



2. Current Year Issues

2.1 Expired Tender

- 2.1.1 Comment 2.1 noted, the LCA proceeded with the tendering process. Tender awarded and a new agreement contract was formulated for the year 2020.

2.2 Donations/ gifts

- 2.2.1 Comment 2.2 and 2.3 noted. As regards to the CSR, the LCA argued in several meetings held with the NAO and DLG that Local Councils should be encouraged to contribute when demands for social cases are brought to the attention of the Council. We appreciate that the said amount should be limited only to extraordinary cases or NGOs/ entities who are giving social services to the community such as: Dar il-Kaptan, Dar il-Providenza, Ursoline Sisters, Gesu fil-Proxmu, Dar Bjron amongst others. Considering that the amount was very minimal we feel that the LCA did nothing wrong in this regard. We strongly feel that Article 63 (A) should be amended in this regard.
- 2.2.2 With regards to staff gifts, we refer to comments 1.4.2 and 2.7.1 whereby; the staff was working under lot of pressure due to the sudden resignation of one of the employees and also the amount of the ongoing projects, in fact in order to meet our deadlines the employees had to work long hours and fully co-operated with the management. As a sign of appreciation, the LCA President felt that it was right to keep the employees motivated by also getting them small tokens such as chocolates and personal use cosmetics when he was abroad.
- 2.2.3 It is a customary procedure that the host country of the Board meeting gives a souvenir to the Board of Directors. Since the meeting was held in Malta, we felt it was right to treat our guests as they treat us when we are invited over to their respective countries.
- 2.2.4 The whole LCA re-branding process was very laborious and time consuming as one can appreciate it is not easy to come up with a design without requesting several options so that the Executive Committee will be able to decide on the final product. Although, this process included several long meetings and materials the LCA managed to convince the service provider to do all this work free of charge as a sign of good will towards the Local Councils. Hence, it is reasonably enough that instead of paying over €5,000 for the whole exercise, the LCA bought a gift to the service provider. By doing this the LCA saved over €4,800.
- 2.2.5 As regards to Christmas gifts the LCA as per previous years sent a token to each Councillor and employees of all Local Councils and the Executive Members of the LCA, as an appreciation for their efforts during the year.



2.3 Christmas party

2.3.1 Comment 2.4 noted. Please note breakdown of expenses in the table hereunder.

<u>Supplier</u>	<u>Description</u>	<u>Invoice No.</u>	<u>Amount</u>
		1209 /	
Heritage Malta Services Limited	Venue Administration Fee	1252	€460.20
Keane Photography	Photography Service	N/A	€130.00
Commander Jay Events & Entertainment	Tent, Bistro tables, Heaters	8428	€1,700.38
Commander Jay Events & Entertainment	Deejay + Mobile Disco Service	8442	€436.60
D Xquisite Pasticceria	Catering + Drinks	GOV396	€1,865.58
Total			€4,592.76

Hence, catering and drinks amounted to €14.47 per person. The main additional, unforeseen expense was the rent of a tent which had to be rented urgently because the number of registrations exceeded the capacity of the venue.

2.4 Procurement Procedure

- 2.4.1 Due to the very urgent requirements in view of the rebranding process, participating in different initiatives and launching of the LCA vision it was required that printing of roll ups, marketing material, posters and flyers were required urgently and from the same supplier.
- 2.4.2 The Intranet Sharepoint was compatible with the software that the LCA was already using.
- 2.4.3 The need for a new server, back-up plans, and all related services were entrusted to the same IT service provider. LCA does not benefit from MITA services hence, we believe that for data security this service had to be integrated and entrusted to one service provider.
- 2.4.4 Due to the increase in the number of outside office meetings where the employees had to represent the LCA, we decided to have uniforms both for daily office use and formal clothing to attend conferences, seminars, and meetings on behalf of LCA and for LCA events. We had ensure that the selected supplier will provide tailor-made garments and ensure continuity for a number of years. Moreover, garments were personalised with LCA logos.
- 2.4.5 As stated in point 2.5.5 the quote for handyman service was obtained through ePPS. Kindly note that the LCA do not have any control on the number of quotes received when issued on ePPS. We were in line with the procurement regulations as the offer presented by the service provider was obtained through ePPS and did not exceed the budgeted threshold.

2.5 Plenary Meetings venue and catering

- 2.5.1 Comment noted and remarks are listed in point 1.3.4 above. The LCA shall be working to a tender to acquire provision of photography, videography, technical equipment, and floor management services however, the venues will still be procured with quotations.

2.6 Budget and actual expenditure



- 2.6.1 Comment 2.8 noted, the LCA invested in assets which are not yet capitalised. These projects will be developed in the coming months.
- 2.6.2 Comment 2.9 noted, the LCA would like to remark that the LCA does not have any control over the LES and LTD variances as these are based on the number of contraventions paid by the citizens. With regards to variances in EU Projects net income, the LCA would like to remark that this variance was due to the current administration which strived to close off financially all EU projects which were left pending during previous administrations. The LCA took the responsibility to seek legal advice and informed foreign lead partners to send any dues before proceeding legally.
- 2.6.3 There was an increase in the President's allowance as from July 2019 as reflected in the reform of Chapter 363 Laws of Malta.
- 2.6.4 Comment 2.10 noted, the LCA does not agree with this remark. While the LCA understands that the budget is a management tool which helps to monitoring and control expenditure, the LCA believe that there are circumstances in which for some reason or another and often beyond anyone's control there will be allocated funds which will not be utilised and there will be other instances to buffer the initial allocated budget.

2.7 Vacation Leave

- 2.7.1 In addition to comment 1.4.2 above, comment 3.1 and 3.2 noted. It was the decision of the LCA Executive Committee that due to the workloads and the resignation of one of the employees it was nearly impossible for employees to take vacation leave. Apart from the increase of the daily office work, there was the Local Councils' election in May 2019, and this meant a drastic increase of meetings, organisation of conferences and seminars for the new elected members. The Executive Committee have decided to pay in cash the difference of the 48 hours as stipulated by the HR regulations.
- 2.7.2 In addition to the above, as from January 2020 the LCA introduced the Vacation Leave Policy which all employees must adhere with.

2.8 Presentation of Financial Statements

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

2.9 Budget

- 2.9.2 Comment noted and the LCA shall be working on the 5 years business plan covering 2021 – 2026



**Assoċjazzjoni
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2.10 Conclusion

The LCA would also like to thank the Auditors for their work carried out. The LCA is doing its utmost to increase its operating levels in an efficient and effective manner. The LCA shall be working to continue delivering a good service to all stakeholders especially to the Regional and Local Councils.

Yours faithfully

Mr. Mario Fava

LCA President

Ms. Lianne Cassar

Executive Secretary

Cc: Ms. Tanya Mercieca – Asst. Auditor General