



Wednesday, 23 March 2022

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

Dear Mr. Christopher Galea,

Management Letter – Financial Year – 2021

Reference is made to the above- mentioned letter dated 22nd March 2022, received at the Local Councils' Association offices via email on the same date, 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. Remarks regarding Financial Year 2021

1. Income

- 1.1 **Reimbursement of travel expenses** – the LCA took note of the recommendation. We shall be addressing the issue with the accountant so that the transactions will be recorded as suggested. Just for clarification, during year 2021, the LCA purchased €18,798.27 worth of refundable flight tickets. These were accounted for in SAGE account 4910000. During year 2021 €15,157.41 of which were refunded and were recorded accordingly in SAGE account 4930000. Another €3,640.60 were refunded in year 2022 as these were flights claimed from CoR in November/ December 2022.

2. Expenditure

- 2.1 **Rent Expenses** - Matter about leases was clarified during the audit and the requested schedules were presented and agreed upon during the same audit. The LCA will make sure that the accountant will work the IFRS 16 for the leasing of premises and motor vehicles as explained for year 2022.

We shall be conducted an internal exercise to review leasing contracts that are in place in view of the impact of IFRS 16. However, please note that like all other instances where procurement is concerned, there was a tendering process for the leasing of vehicles, hence contract agreement must reflect the tender document and the offer submitted by the winning bidder. Since there is a contract, we cannot make any adjustments in this regard.



- 2.2 **Refundable airfares** – Reference is being made to point 1.1 of the Management Letter Reply as comments 2.4 and 2.5 were replicated in the Management Letter points 1.1 and 1.2.
3. **Fixed Assets**
- 3.1 Point 3.1 of Management Letter noted, and we shall address the matter with the LCA accountant.
- 3.2 The LCA would like a clarification from the Auditors on which items they are referring in point 3.2 of the Management Letter. The LCA is committed to keep the FAR updated and any item which do not feature in the FAR were listed as Write-Offs, approved during the Executive Committee meetings, and disposed according to the regulations. Any write-off of Asset was in line with Direttiva 1/2017 and hence, are not included in the FAR.
4. **Right of use of assets**
- 4.1 The LCA took note of the remarks in relation with: IFRS 16 assessment schedule, accumulated depreciation, and deprecation of right of use assets as mentioned in the Management Letter. We shall be discussing the points mentioned with the LCA accountant and make sure that accounts for year 2022 will feature the IFRS 16 workings.
5. **Lease Liability**
- 5.1 As mentioned in our previous remarks, we can conclude that the main issue with LCA accounts was that the accounts prepared did not feature the workings imposed by the IFRS 16 regulations. We are going to commit ourselves and together with the LCA accountant we are going to make sure that all recommendations mentioned in this regard will be taken on board of our procedures.

Conclusion

We would like to thank Grant Thornton for their service provided during this Audit process.

Yours faithfully,

Mr. Mario Fava
President

Ms. Lianne Cassar
Executive Secretary

cc: Ms. Tanya Mercieca – Asst. Auditor General