



Years of
Local Councils
30 Sena ta' Kunsilli Lokali

23rd February 2024

Director,
Department for Local Government
26, Archbishop Street
Valletta

Dear Mr. Galea,
Dear Ms. Bugeja,

Management Letter – Financial Year – 2023

Reference is made to the above- mentioned letter dated 22nd February 2024, received at the Local Councils' Association offices via email on the 22nd February 2024, 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

- 1.1 The LCA together with the accountant have taken the necessary controls to record the lease liability in accordance with the IFRS16 "Leases" and without any overstatement on these liabilities.
- 1.2 The LCA shall be given a brief in point 2 of this letter.
- 1.3 The LCA together with the accountant have taken the necessary controls on how to record the deferred income in relation to the Group Life Policy.

We would like to thank the auditors for assisting us after the year 2022 audit to tackle and resolve point 1.1 and 1.3 above. Hence, no errors or discrepancies were reported during year 2023 audit.

2. Income and Expenses

Reimbursement/ refundable airfares – This point was highlighted last year as well but it transpires that there was still a misunderstanding between the Auditors and the LCA on how to

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record the reimbursement of refundable airfares. The Association has taken all the necessary steps to coordinate with the Committee of the Regions so that the flights will be issued directly from the CoR travelling agency, hence there is no need for the LCA to pay for the flights and claim the cost from the Committee. However, we have spoken with the auditors and concluded that the funds are being recorded correctly in the financial statements and the auditors are only requesting to open new nominal accounts to record these transactions separately. There was an agreement to proceed as suggested.

3. Fixed Assets

We acknowledge that this was an accounting mistake. We have tackled the issue internally.

Conclusion

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

The Local Councils' Association will remain fully committed to continue performing effectively and do the necessary amendments in the internal policies to refine the processes where need be.

Yours faithfully,

Mr. Mario Fava
President

Ms. Lianne Cassar
Executive Secretary

Cc: Ms. Tanya Mercieca – Asst. Auditor General