Port
Regional
Council
Kunsill Reġjonali Port

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7th May 2024

Director,
Department for Local Government
26, Archbishop Street
Valletta

Dear Mr. Galea,

Management Letter Reply – Financial Year 2023

Reference is made to the above-mentioned letter dated 29th February 2024, received at the Reġjun Port offices on the same via email, concerning the systems and controls used by Reġjun Port to safeguard the Region's assets in line with prevailing legislation dealing with Local Councils.

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

1. Previous Management Letter – Year Ended 31 December 2022

Since October 2021 the Region was prioritising the endless list of administration matters that were raised after the dismissal of the previous Executive Secretary. Such shortcomings were highlighted in the previous management letters and also in the NAO's interim audit report.

The Region was fully committed to start changing what needed to be changed however, with the lack of human resources the Region have managed to tackle the most urgent issues. In fact we are very satisfied that for the year 2023 the auditor did not encounter any issues with respect of the general income, the chart of accounts, subsequent year-end payments, LESA reimbursement of expenses and the fixed asset register is now properly presented.

The Region acknowledges that there is still room for improvement. This improvement could be only envisaged if and when the Region will have the full staff complement engaged. During year 2024 the Region shall be focusing on finding the right administrative premises to operate from. This will enable the Region to have ample space for the administrative set up and the Tribunal administration.

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

2. Local Enforcement System

2.1 Although the Region acknowledges that it is also in the interest of the Region that such contraventions will be paid, the Region remarks that LESA is carrying out an internal process to collect long outstanding contraventions payments. The Region does not have the right infrastructure, expertise and financial capacity to set up a team to tackle this issue, while also highlighting that another entity, LESA is investing in such system. As from year 2023 the Region also restructured the Tribunal HR structure, and it was decided that the Tribunal should offer the service for residents to pay the contraventions as soon as the Tribunal hearing is over. This increased the probability that offenders have pad their contravention immediately if not upheld by the Tribunal. In fact, we have seen an increase in income generated from LES during year 2023.

2.2 Loqus are responsible for the reconciliation process of such contraventions before the Local Councils' Association (LCA) can disburse such funds. Before all the reconcillations and all the bank queries such as double payments/ missing payments are rectified, Loqus cannot send the reconciled reports to LCA in order to send payments.

With regards to the LTD payments the LCA depends on Transport Malta to process the funds. Hence, the pace of this process is beyond the LCA and Regions' control. Hence, should the auditors feel that such processes are taking too long, the Region suggests that the Local Government Division will look into such matter and discuss with Loqus and Transport Malta such issues.
The auditor can also review the time taken for LCA to process the received transactions.

Loqus System

2.3 Loqus is a separate entity, not part of the Local Government sector. Hence, the Region does not have any remit to ask for an IT system audit of this entity. The Region suggests that if this is deemed as good practice the Local Government Division will look into the matter and check whether they have the capacity to ask Loqus for an IT system audit. However, Loqus have a contractual obligation with LESA. Hence, it is out of the Region's remit to ask Loqus for an IT audit report. From our end this issue was already brought to the attention of the Local Government Division in previous years.

2.3 The Region also suggests that the NAO will assist in obtaining such audit reports from Loqus. Or else the system will be audited by the NAO office.

3 Trade and other payables

Supplier statements

3.1 The Region does its utmost to reconcile available supplier statement to their balances as presented in the accounts. However, the Region cannot be held responsible if the suppliers do not send statements to the Region. It is to be noted that the Region does not normally have any pending creditors other than those which would have sent the bill during the last month prior to the end of period. However, comment noted, and the Region will improve the reconciliation process of suppliers' statements. This auditor's comment will be much more attainable if the Region will have more administrative staff.

3.2 The auditor's comment might also reflect the lack of human resources that the Region has.

Long outstanding trade creditors

3.4 During 2023, the Region has already asked LESA to provide an updated statement however, this did not reach our offices by end of year. Once the Region will have all the required statements from LESA, we will reconcile, and the Region will pay any long overdue balances to the respective Local Councils.

Other Creditors

3.5 Comment 3.5 of the management letter was also raised during previous management letters, and the Region once again remark that the Local Government Division needs to assist the Regions to establish a way forward on these recorded funds pertaining LES receipts from unidentified deposits.

4 Leases

4.1 The Region took note and also discussed the issue with the accountant to start taking into consideration and include the IFRS16 workings. The accountant is also informed accordingly.

5. Trade debtors

5.1 The Region took immediate action and invoices were issued to the respective Local Councils at the date of audit fieldwork. We recognise that this was a human error, and we shall be taking all the necessary precautions to avoid such shortcomings.

6. Intangible Assets

6.1 This comment is being noted and was also discussed with the accountant. In future, the Region will make sure that any grants received against an asset will be disclosed accordingly.

7. Deferred Income

7.1 The Region agrees with the remark passed on the granting of funds scheme by the Local Government Division. In fact, the Region have raised this issue previously with LGD and the reply we got was that the Region should only be responsible to reimburse the Local Council upon and as advised by LGD. The Committee cannot obtain sufficient supporting documentation as requested by the auditors unless the LGD is willing to give such documents.

7.2 Tarmac Initiative Fund – The Region agrees with the auditor, and we shall await for LGD to advise the way forward on this balance. The Region will act according to the conclusions of LGD. However, we need to remark that this balance was pending from year 2018 and we have no direction so far.

7.3 Economic, Social and Cultural Plan Fund – the Region shall wait for a way forward from the LGD, if need be the agreement will be extended so that the Region will use these fund to furnish the Regional hub which the land have just been identified and we are working on its financial proposal.

Conclusion

The Region would like to point out that a vacancy call for the Region's Executive Secretary is still opened and once the new Executive Secretary will be appointed the Region will issue the calls for the Assistant Principal and also the Executive Officer for the Region's office. We do acknowledge that the Region's financial stanging is quite positive however, the Region does not have the required manpower with the right competencies to carry out the day-to-day office running.

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The Region has just finalised the Social Impact Assessment – Baseline studies and a 5 years vision will be launched in the coming weeks. Hence, this should also be supported by funds that the Region will dedicate for its implementation.

The Region would like to also highlight that several points which were discussed in the management letter cannot be resolved if there will be no intervention from the DLG. Hence, we urge parties to start tackling the recurrent points mentioned in such management letters.

The Region would also like to point out that that for the first time from when the Regions were established, the accounts for year end 2023 were closed off with significant deficit. We need to highlight that this negative balance is due to the lack of funds or agreements in place to implement and financing the waste management contract. We are assuming that by year 2024 all agreements will be in place and the Region will have all the necessary fuinding to start neutralising this deficit.

Yours faithfully,

Chev. Paul Farrugia
President

Ms. Lianne Cassar
Acting Deputy Executive Secretary

Cc: Ms. Tanya Mercieca – Asst. Auditor General