



KUNSILL LOKALI SAN LAWRENZ

25th October 2025

The Director
Department for Local Government
26 Archbishop Street
Valletta

Dear Sir / Madam

Re: Management Letter – Financial Year 2024

In response to the management letter received by the San Lawrenz Local Council from the auditors, RSM Malta, the Local Council would like to remark the below:

1. Follow-up to Last Year's Report.

The issues mentioned in the 'Follow-up to Last Year's Report', which were still present in the 2024 report, will be referred to in this year's response.

2. Property, Plant and Equipment.

With respect to the fixed asset register, the Local Council would like to point out that such register was handed over to the auditors during the audit. The San Lawrenz Local Council was able to regularize its fixed asset register in accordance with Directive 01/2017 as from 1st January 2018. In fact, as from this date onwards, all fixed assets are listed item by item in the fixed asset register and included with all requested details. In relation to the difference between the fixed asset register and the financial statements, the Local Council will seek to identify this difference and eliminate it.

With respect to the identification and recording of property, plant and equipment and their respective grants, the Local Council always pays great attention in this respect. However, the Local Council will seek to ensure that a greater effort is made so that all property, plant and equipment and any grants capitalised are recognised in the correct category and nominal accounts and in accordance with the accounting policies as outlined in the financial statements.

Finally, in relation to the Euro 17,780 grant received in 2025 on the motor vehicle purchased in 2024, the Local Council could not provide for it in the unaudited financial statements since at this point the Local Council was not yet aware that such grant will be awarded.

3. Receivables

It is good to point out that even though some of the grants listed in accrued income have been long outstanding they are still receivable and committed to the Local Council. However, the Local Council will go through such accrued income list and will write off any such income for which the Council is no longer eligible. It is important to note that such exercise is performed thoroughly at least once yearly by the Local Council.

Furthermore, the San Lawrenz Local Council will seek to make use of the grants in accrued income diligently and in a timelier manner.

4. Cash & Bank

The San Lawrenz Local Council acknowledges the auditors' concerns and recommendations in relation to Point 4. Furthermore, the Local Council will seek to obtain statements for all bank accounts held in its name even those with minimal or no transactions made during the year.

5. Payables

The San Lawrenz Local Council always requests the letter from the architect as at the end of the year in order to identify finished and ongoing capital projects. However, it may occur that due to the deadline for submission of the financial statements, this letter is not always received in time to meet these deadlines. As a result, any necessary adjustments may not be able to be reflected in the financial statements prior to the audit. The Local Council will seek to try to obtain the architect's letter in a timelier manner.

The San Lawrenz Local Council will seek to make greater attention when recording transactions concerning accruals and to post all transactions in the correct nominal ledger.

6. Payroll

With respect to payroll, it is important to point out that the San Lawrenz Local Council always takes great attention when calculating payroll and submitting the necessary forms. However, the Local Council will seek to ensure greater attention in relation to these matters.

Also, it is important to note that the Local Council has regularized its position in relation to the payment of the monthly taxes and security contributions. Such payments were omitted by

mistake and where identified through reconciliations which the Local Council always carries out at the end of the year prior to submitting the necessary end of year forms.

7. Expenditure and Tenders

The discrepancies between actual and budgeted figures, whereby actual expenditure exceeded the budgeted expenditure, as pointed out in the management letter, are being acknowledged. It should be pointed out that the San Lawrenz Local Council is investing a lot of effort to carry out good budget forecasts and to try and regulate its expenditure in accordance to such forecasts.

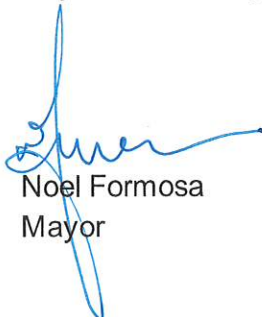
The San Lawrenz Local Council acknowledges the auditors' recommendations listed in Point 7 and will seek to adhere to them for future transactions.

8. Financial Situation Indicator

The San Lawrenz Local Council is aware of the fact that the financial indicator is below the threshold of 10% and is continuously seeking ways to reverse this position. In fact, the Local Council will continue to monitor attentively its financial commitments and will not carry out any capital projects unless they are financed by alternative sources.

9. Other Matters

With respect to the issue mentioned by the auditors in Note 10, whereby it is being stated that an audit adjustment was missing, it is important to point out that the list of audit adjustments given by the auditors on the 16th April 2024 to the Local Council were all passed accordingly. The audit adjustment mentioned by the auditors of Euro 549 was not listed in this list of audit adjustments passed forward to the Local Council for adjustment and this is the sole reason why such audit adjustment was omitted.



Noel Formosa
Mayor



Josianne Cassar
Acting Executive Secretary

cc: Auditor General, National Audit Office
RSM Malta