



MINISTRY for HEALTH
15, PALAZZO CASTELLANIA, MERCHANTS STREET, VALLETTA, MALTA

9th June 2016

Chairman
Public Accounts Committee
Parliament House
Valletta

Dear Hon Fenech,

Re: Koperattiva Linen Services (KOLS)

With reference to your correspondence relating to the Public Accounts Committee meeting held on 30th May 2016, wherein the National Audit Office report in respect to the above mentioned society was discussed, I hereunder confirm the following:

1. The agreement between the Ministry for Health (MOH) and KOLS clearly states that all property, plant and equipment purchased by the society through the Equipment Reserve Fund is considered to be owned by the Ministry. Instructions have already been issued by DG Finance and Administration to carry out an independent physical check of all assets held by KOLS. It is our intention to carry out periodical physical checks and reconciliations with an updated inventory which will be maintained at MOH.
2. In accordance with the KOLS statute, the legal and judicial representation of the society is vested with the President and the Treasurer of the Management Committee. An exercise is underway to ratify all agreements accordingly wherein the President and the Treasurer are to sign and take up responsibility on behalf of KOLS.
3. The agreement between MOH and KOLS refers to the setting up of a Training Fund which is to be used specifically to cover educational and training expenses for employees of the Ministry. Such agreement states that this fund (amounting to approx. Euro 15,800) should be managed by MOH. The Ministry intends to issue policy guidance how such monies should be utilized.

4. The outstanding balance due as contributions to the Central Co-operative Fund amounted to Euro 266,300 as at 31 December 2014. Payments amounting to Euro 184,986 were effected during 2015, leaving a current balance due of Euro 81,314. Instructions have been issued by MOH to KOLS:
 - a. to settle outstanding dues to the Central Co-operative Fund by end of 2016.
 - b. not to pay any patronage refund unless all statutory dues are settled.
5. A reconciliation of the creditors control account has been duly carried out with the cash flow statement as disclosed in the audited financial statements on 31 December 2014. It was ensured that all liabilities relating to statutory obligations have been properly included in the financial statements.
6. In line with OPM circular 12/96, MOH is to encourage public employees to form Cooperatives under Scheme B. The KOLS statute, in accordance with the Cooperative Societies Act, states that applications by new members can be refused by the Management Committee. The agreement between MOH and KOLS, notes that members of the society must be employees of the Ministry of Health and must not have a lower grade to Health Assistants. This scenario imposes on MOH the need to seek legal guidance of how your recommendation can be implemented in order to ensure that additional adequate members can form part of the society. Meanwhile and with immediate effect, we are introducing policies wherein any surplus due to retired members is transferred into a reserve fund which will be appropriately managed by the Ministry.

Whilst hoping that the above action plan will mitigate your observations, kindly do not hesitate to contact me should you require further information or clarification.

We thank you for your support, and remain

Yours sincerely


Joseph Rapa
Permanent Secretary