



**KUNSILL LOKALI HAŻ-ŻABBAR**

**CITTÀ HOMPESCH**

14th June 2023

National Audit Office  
Notre Dame Ravelin  
Floriana

Dear Sir/Madam,

**REPLY TO MANAGEMENT LETTER YEAR ENDING 31 DECEMBER 2022**

**1. Previous Management Letter**

**1.1 Trade Payables**

The Council has implemented comprehensive measures to proactively address this issue. As part of our established procedures, we request monthly statements from all suppliers, which serves as a critical component in achieving accurate reconciliation of the creditors. There have been instances where the acquisition of monthly statements from suppliers has presented certain challenges. However, the Council has consistently demonstrated unwavering commitment in its pursuit of obtaining these statements. Moving forward, we will persistently and diligently engage with our suppliers to ensure the prompt submission of statements.

**1.2 PPP Creditor**

We have accurately incorporated the proposed reclassification in the audited financial statements. We did not manage to obtain a statement from the PPP creditor. In September 2022, we received a legal letter from the creditor claiming an amount of EUR 58,584. The Council disputes this amount and has requested a meeting and sent legal letters to initiate discussions and provide evidence of payments made. The outstanding amount currently owed by the Council is approximately EUR 25,000. As mentioned in the management letter, the Council is committed to settling the outstanding amount owed to the PPP creditor once their bank account details are provided. We are actively working towards resolving the discrepancies and reaching a satisfactory resolution with the creditor.

**1.3 Reconciliation of financial statements with accounting records**

The Council acknowledges the importance of accurately reflecting the net book value of assets in our financial statements. For every project, the Council opens a nominal account in its accounting ledger. This system helps the Council to easily identify the cost of every project it carries out. However, every project usually includes different asset categories like furniture and fittings, urban improvement or construction, which categories come with different useful life and hence different depreciation rates. Therefore, Zabbar Local Council, in its fixed assets register splits its project's assets into their respective asset category. This is creating a variance between the nominal ledger categories and the fixed assets register categories. At the same time, as the auditors' pointed out, there is no variance in the net book

value of the audited financial statements and the accounting records of the selected nominal accounts.

#### **1.4 Details of fixed asset register**

While we strive to enter all necessary details for each fixed asset, there are instances where a fixed asset card may involve multiple invoices or suppliers. Our accounting software program has limitations in character limits and allows for the entry of only one supplier, which can result in missing information. However, the fixed assets in our register contain essential information, including a description of the asset, date of purchase, supplier details, invoice numbers, cost, depreciation rate, and location of the asset. These critical details are recorded to ensure accurate tracking and reporting of our fixed assets.

#### **1.5 Reconciliation of financial statements to fixed asset register**

We will conduct a thorough review of the fixed asset register and compare it with the financial statements. We will analyse the differences noted and investigate the reasons behind them.

### **2. Income**

#### **2.1 Unidentified cash deposit**

We understand the recommendation to continuously communicate with different Councils in preparing monitoring and reconciliation for the remittance of contraventions. However, it is essential to highlight that the Council cannot allocate the unidentified funds because we do not have information about the depositor. In the past, we have contacted other local councils to request details of collected contraventions on our behalf. Unfortunately, they either informed us that the data is outdated and archived or that they no longer have access to this information.

#### **2.2 Income from contraventions**

The Council has investigated the issue and communicated with the LESA regarding the waived contraventions that were not reflected in the Loqus system where the pre-regional 483 report is generated. It has been confirmed that certain contraventions were indeed waived off as per their instructions.

### **3. Trade and other payables**

#### **3.1 Long outstanding creditors**

We acknowledge the importance of reviewing all outstanding balances. The Local Council will conduct a thorough review of the balances in question to determine their validity and take appropriate action.

We would like to clarify that for some of these creditors the Council is awaiting the provision of the IBAN number to process the payment and that a portion of these balances is related to retention monies.

### **4. Trade and other receivables**

#### **4.1 Overdue receivables**

For the debtors whose balances are confirmed as valid, we will diligently pursue them by sending reminders for the long overdue amounts. We will implement an effective follow-up process to engage with these debtors and encourage timely payment. In the case where the collectability of these debts

remains doubtful, the Council will consider making provisions for doubtful debts in accordance with the applicable accounting standards and prudent financial management practices.

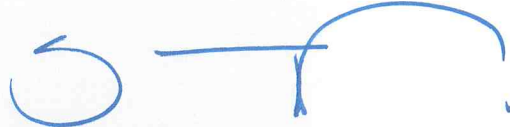
**5. Other matters**

**Presentation of financial statements**

The Local Council will ensure that the financial statements are prepared with consistency in the preparation of the financial statements in the areas of note captions, alignment and referencing.



Jorge Grech  
Mayor



Stephanie Testaferrata de Noto  
Executive Secretary