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17th May 2024

National Audit Office  
Notre Dame Ravelin  
Floriana

Dear Sir/Madam,

## **REPLY TO MANAGEMENT LETTER YEAR ENDING 31 DECEMBER 2023**

### **1 Previous management letter**

#### **1.1 Trade payables**

We understand the importance of obtaining statements from suppliers regularly to ensure accurate financial records. While we do encounter challenges with suppliers' inefficiencies, we will redouble our efforts to obtain monthly statements as per your recommendation.

#### **1.2 PPP creditor**

Regarding the €33,987 difference between the amount due to the PPP creditor according to their statement and the amount recorded in our books, we appreciate your recommendation to obtain a statement from the PPP creditor to review any differences and reconcile accordingly. However, we must clarify that we have not received a statement from the PPP creditor since 2017 but a lawyers letter during 2023.

It's important to note that the Local Council contests the amount claimed by the Vella Group. While they may assert a higher amount, our records indicate a debt of €24,597.

Regarding the request for payment made by the Vella Group's lawyer, we confirm that we do not owe them €58,584 as stated, but rather €24,597, as per our records. Additionally, we have communicated through the Council's lawyer to the Vella Group that we are not paying the requested amount.

We remain committed to resolving any discrepancies and maintaining accurate financial records.

We acknowledge the proposed reclassification to show the PPP creditor separately from trade payables, and we have correctly incorporated this in our audited financial statements.

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

We understand the importance of ensuring alignment between the financial statements and the nominal ledger. We acknowledge the variances highlighted and recognise the necessity to investigate and reclassify accordingly.

To address these discrepancies, we will conduct a thorough review of the affected asset categories to identify the root causes of the differences. Subsequently, appropriate adjustments will be made to reconcile the financial statements with the accounting records.

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

In response to your observation, we acknowledge the importance of maintaining accurate and comprehensive records. While our current accounting software may have limitations in terms of data input, we are committed to recording critical pieces of information to the best of our ability.

Therefore, we have taken note of your recommendations and will make every possible effort to ensure that our fixed asset register is updated with the necessary details as outlined. This will enhance transparency and facilitate better management of our fixed assets.

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

It is essential for us to maintain accuracy in our records, particularly concerning fixed assets, to facilitate proper classification and depreciation expense calculation.

In response to your observation, we are committed to taking necessary measures to ensure accuracy and completeness in our fixed asset register. To address the discrepancies highlighted, we will be revising the data in the fixed asset register to align it with the nominal ledger. Our objective is to eliminate differences and ensure that all classifications are correct and comprehensive.

### **1.6 Reconciliation of additions of fixed assets and disclosures in the financial statements**

We will conduct a thorough review of the disclosure in the financial statements to reconcile it with the additions recorded in the general ledger for each fixed asset category. Our objective is to ensure that the disclosed amounts accurately reflect the additions and facilitate correct roll-forward of each category.

## **2 Income**

### **2.1 Unidentified cash deposit**

In response to your recommendation, we have initiated discussions with the Department for Local Government to explore potential solutions to address this matter. By collaborating with the DLG, we aim to establish better communication channels with other Local Council's.

## **3 Trade and other payables**

### **3.1 Long outstanding creditors**

Upon review of the creditors' list, we acknowledge the outstanding balances with various suppliers. It's important to note that a significant portion of these balances is related to pending retention monies associated with past projects. These funds serve as guarantees and cannot be settled in the present.

Furthermore, we will conduct a thorough investigation to determine the reasons for the outstanding balances. We will carefully review each case to identify if there are any issues that may have led to delays in payment.

## **4 Trade and other receivables**

### **4.1 Receivable from Water Services Corporation**

We would like to provide clarification regarding this outstanding balance. The majority of the outstanding balance stems from an agreement made in the between WSC and the Local Government Association on behalf of the Local Council, for reinstatement of road surfaces following excavations within our locality. Despite our efforts to collect money from WSC, we did not manage.

WSC has failed to honor the agreement, resulting in the outstanding balance owed to the Council. We are in the process of evaluating our options regarding this matter, including the possibility of considering it as a provision for bad debt.

### **4.2 Long-outstanding debtors**

The majority of the amounts listed are related to past contraventions collected by other Local Councils. These receivables are subject to reconciliation and settlement processes between the respective local councils.

For the remaining outstanding balances, we will conduct a thorough assessment to determine their validity and recoverability. Any debts deemed doubtful will be carefully considered for provision for doubtful debts in accordance with established procedures.

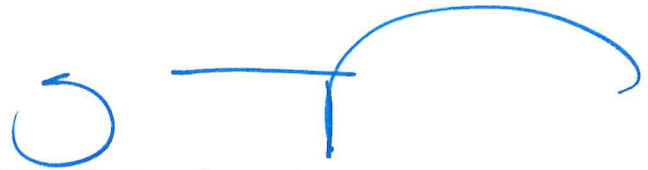
## 5 Preparation of financial statements

This recommendation has been noted and will be implemented by the Council.

Thank you and best regards,



Jorge Grech  
Mayor



Stephanie Testaferrata de Noto  
Executive Secretary

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