

The Mayor  
Zabbar Local Council  
Ċentru Ċiviku  
Triq iċ-Ċawlsli,  
Haż-Żabbar ZBR 1322

Our ref: PC/mf/117525

21 April 2025

Dear Sir,



### **Financial statements for the year ended 31 December 2024**

During the course of our audit for the year ended 31 December 2024, we have reviewed the accounting system and procedures operated by Zabbar Local Council (the Local Council). We set out in this report the more important points that arose as a result of our review.

#### **1 Previous management letter**

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

We again noted differences between the fixed asset register category and amounts presented in accounting records (refer to note 2.1).

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

We again noted differences between the fixed asset register and amounts included in the unaudited financial statements (refer to note 2.3).

##### **1.3 Reconciliation of fixed asset additions and disclosures in the financial statements**

Differences were again noted between the additions on fixed assets and amounts presented as additions in the unaudited financial statements (refer to note 2.5).

##### **1.4 Overdue debtors' balances**

We again noted that the debtors' list is still showing amounts which are long overdue (refer to note 3.1).

##### **1.5 Supplier statements**

We again noted that the council failed to obtain supplier statements as at year end (refer to note 4.1).

### 1.6 Overdue of payables

We have again noted long outstanding creditors in the books of account (refer to note 4.4).

### 1.7 PPP creditor

The Council failed to address the issue during the current year (refer to note 4.6).

### 1.8 Other creditors

We again noted unsupported cash deposits arising from the contraventions collected during the year under review (refer to note 4.8).

## 2 Fixed assets

### Reconciliation of financial statements with accounting records

2.1 We identified differences between the net book value (NBV) of certain classes of assets in the financial statements and the respective net book value in the nominal ledger. These are summarised in the table below:

Asset category	NBV in unaudited financial statements €	NBV in accounting records €	Difference €
Construction works	384,490	(114,854)	499,344
Furniture and fittings	28,075	9,072	19,003
Urban improvements	282,473	702,422	(419,949)
Office and computer equipment	22,957	23,332	(375)
Plant and machinery	1,725	13,644	(11,919)
Motor vehicles	1,728	2,562	(834)
Assets not yet capitalised	49,706	134,976	(85,270)
	<b>771,154</b>	<b>771,154</b>	-

2.2 We remind the Local Council that any variances between the assets disclosed in the financial statements and the nominal ledger need to be investigated and reclassified accordingly.

### Reconciliation of financial statements to fixed asset register

- 2.3 We noted that the fixed asset register is not in agreement with the financial statements. The following are the variances noted:

Asset category	NBV in fixed asset register €	NBV in financial statements €	Difference €
Trees	49,358	22,924	26,434
Construction works	235,023	384,490	(149,467)
Furniture and fittings	29,745	28,075	1,670
Urban improvements	252,440	282,473	(30,033)
Office and computer equipment	20,195	22,957	(2,762)
Plant and machinery	2,832	1,725	1,107
Motor vehicles	2,145	1,728	417
Assets not yet capitalised	-	49,706	(49,706)
	<b>591,738</b>	<b>794,078</b>	<b>202,340</b>

- 2.4 We recommend that the Local Council revisits the fixed asset register and ensures that this agrees to the books of account. This is to ensure that the fixed asset register is complete and that all classifications are included in their proper category. This is also to ensure that the correct depreciation expense was computed and recorded during the year.

### Reconciliation of fixed asset additions and disclosures in the financial statements

- 2.5 We noted that the fixed asset register is not in agreement with the financial statements. The following are the variances noted:

Asset category	Additions in general ledger €	Additions in unaudited financial statements €	Difference €
Furniture and fittings	76	176	(100)
Urban improvements	144,944	136,573	8,371
Office and computer Equipment	3,159	11,430	(8,271)
	<b>148,179</b>	<b>148,179</b>	<b>-</b>

- 2.6 We recommend that the Local Council reviews the correct application of fixed asset accounts and ensures alignment with the disclosures presented in the notes to the



financial statements. This will help verify the accuracy of additions to fixed assets and ensure that all classifications are appropriately categorised.

### 3 Receivables

#### Long-outstanding debtors

3.1 The council's debtors' list includes long outstanding receivable from the following:

Debtor	€
Birgu Local Council	47
Birkirkara Local Council	135
Bormla Local Council	46
Centro Moda	500
Don Berto	250
Fgura Local Council	139
Gharghur Local Council	35
Ghaxaq Local Council	58
Gzira Local Council	70
HSBC	200
Isla Local Council	128
Kalkara Local Council	873
Kenneth Hardware Store	93
Kercem Local Council	83
LESA	1,120
Lija Local Council	23
Luqa Local Council	58
Marsascala Local Council	46
Msida Local Council	116
Naxxar Local Council	23
Paola Local Council	409
Pitty's Rent A Car	84
Qrendi Local Council	47
Regjun Centru	65
Regjun Xlokk	275
San Gwann Local Council	47
San Pawl Il-Bahar Local Council	47
Santa Lucija Local Council	35
Santa Venera Local Council	12
SC Engineering Supplies Ltd	186
Siggiewi Local Council	23
Sliema Local Council	233
Tarxien Local Council	47
Transport Malta	14
Tribunal Fgura	256
Valletta Local Council	70
Water Services Corporation	3,692
Xghajra Local Council	35
Zabbar - Online	37

Zebbug - Malta Local Council	1,132
Zejtun Local Council	280
<b>Total</b>	<b>11,069</b>

- 3.2 The Local Council should ensure that the balances are valid and, if so, pursue these debtors by sending reminders for the long overdue amounts. In the event that recoverability of these debtors becomes doubtful, the council should consider making a provision for doubtful debts in the books of account after obtaining approval during council meetings.

#### **Accrued income related to grants**

- 3.3 During the year, the Council received a grant from LESA under the Community Project Schemes. The grant stipulates that it will cover 80% with a maximum financial grant of €69,600 of the total cost incurred and that the 20% will be borne by the Council. The grant was erroneously accounted in the books of the Council in full resulting in an overstatement in the fixed assets grants and accrued income of €4,244. We have proposed an audit adjustment to rectify the error, which the Council has included this in the final financial statements.
- 3.4 We recommend that the Council carefully allocates and thoroughly reviews its grants to ensure accuracy and compliance with grant terms. This will also help any future errors in the claims of the grants and minimizing the impact on fixed asset depreciation of which the grant is applied to.

## **4 Payables**

### **Supplier statements**

- 4.1 We again noted that the council did not obtain statements at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account.
- 4.2 This is contrary to the relevant procedures, which require the council to request monthly statements from all suppliers. Memos/circulars issued by the Department for Local Government specifically state that the Local council should reconcile the creditors to supplier statements monthly.
- 4.3 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

### Overdue of payables

- 4.4 While reviewing the council's aged suppliers' list we again noted that the list includes long-overdue balances amounting to €67,378. The following are the creditors' balances that have been overdue for one hundred eighty (180) days and more:

Supplier	€
ARMS/ Water Services	470
Central Asphalt Limited	1,150
Derek Garden Centre	5,876
Equinox Advisory	177
Jane Gauci	40
Josef Micallef	1,286
Leslie Balzan	177
MBI Concrete Ltd	1,434
Melita Limited	105
Owen Borg	448
Public Cleansing Dept.	600
Reuben's Iron Works	32
S. Spagnol Constructions Ltd	6,040
Shawn Bonaci	35
St Patrick Football Club	2,000
Telemalta / Go	248
Telezone	497
The Wignacourt Garden	117
Vella Group Limited	26,949
WasteServ Malta	19,729
<b>Total</b>	<b>67,410</b>

- 4.5 We advise the council to review all balances, and either settle or, if considered non-payable, reverse after careful consideration and approval by the Local Council. Any decisions taken should be fully explained and minuted.

### PPP creditor

- 4.6 During our audit procedures, we requested a confirmation from the supplier for the outstanding balance due. The latter confirmed an amount of €58,584, while the amount recorded in the council's books amounts only to €24,597, resulting to a difference of €33,987. The difference has been coming forward since 2017. Our audit report has been modified due to the above.
- 4.7 We acknowledge that the council believes that the 2017 statement was not correct; however, we advise the Local Council to obtain a statement from the PPP creditor to review any differences and reconcile accordingly.

#### **Other creditors - unidentified cash deposit**

- 4.8 We noted that included with other creditors is an amount of €6,124 pertaining to a bulk transaction of contraventions collected and remitted to the council in a single payment. Details of the payer is highly dependent on the information provided by the council.
- 4.9 We recommend the council to prepare a list with all receipts made by residents to the council, deposits made in council bank account and transfers made to LESA and Lands. Furthermore, this will help the council in identifying balances due easily and avoid any double payments.

#### **Conclusion**

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the Local Council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Ms. Stephanie Testaferrata de Noto and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

