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23rd May 2025

National Audit Office  
Notre Dame Ravelin  
Floriana

Dear Sir/Madam,

**REPLY TO MANAGEMENT LETTER YEAR ENDING 31 DECEMBER 2024**

**1. Previous management letter**

Reconciliation of financial statements with accounting records

- 1.1 The Council is currently reviewing and reconciling the asset categories and values to ensure alignment.
- 1.2 **Reconciliation of financial statements to fixed asset register**  
We acknowledge the observation regarding the discrepancies between the fixed asset register and the amounts reported in the unaudited financial statements. The Council is actively working to reconcile these differences and is committed to ensuring consistency between the asset records and the financial statements ahead of the finalisation of the audited accounts.
- 1.3 **Reconciliation of additions of fixed assets and disclosures in the financial statements**  
The differences noted between fixed asset additions and the amounts disclosed in the unaudited financial statements are being reviewed. The Council is taking steps to ensure that all asset additions are properly recorded and consistently reported across both the fixed asset register and the financial statements.
- 1.4 **Overdue debtors' balances**  
The outstanding debtor balances mainly relate to amounts due from other local councils in connection with old contraventions collected on behalf of Ħaż-Żabbar. In several cases, either the depositing Council failed to notify us when funds were transferred, or the amounts were never deposited. The Council is following up on these cases and will take the necessary steps to reconcile, recover these balances as appropriate.

## Supplier statements

- 1.5 Supplier statements were requested, however, not all suppliers responded despite follow-ups. The Council will continue to improve this process and ensure more comprehensive reconciliation in future year-end procedures.
- 1.6 **Overdue of payables**  
With reference to the observation regarding the long-outstanding creditor, the Council acknowledges the matter and confirms that some of the balances relate to retention monies, which are contractually held for a defined period. The remaining balances are being reviewed, and the Council is following up to ensure appropriate action is taken to resolve any outstanding issues.
- 1.7 **PPP creditor**  
The matter was not addressed during 2024 as the creditor had not provided the necessary IBAN details. However, this has since been resolved, and the payment was effected during 2025.
- 1.8 **Other creditors**  
The Council would like to clarify that there were no unsupported cash deposits arising from contraventions collected during the year under review. All amounts were duly supported by the relevant documentation and records.

## 2. Fixed assets

### Reconciliation of financial statements with accounting records

- 2.1 – 2.2 The Council acknowledges the variances identified between the net book value of certain asset classes in the financial statements and the nominal ledger. A review of the fixed asset register is underway to ensure accuracy and consistency across all records. Necessary corrections and reclassifications will be carried out to align the financial statements with the accounting ledger.
- 2.3 – 2.4 The Council acknowledges the variances noted between the fixed asset register and the financial statements. A detailed reconciliation exercise is being undertaken to identify and correct these discrepancies. The fixed asset register will be updated accordingly to ensure it fully aligns with the financial records.
- 2.5 – 2.6 A reconciliation process is currently underway to address these differences, and the necessary adjustments will be made to ensure both records are in full agreement. The Council notes the recommendation and will review the application of fixed asset accounts to ensure consistency with the disclosures in the financial statements.

### **3. Receivables**

#### Long-outstanding debtors

3.1 – 3.2 The Council acknowledges the observation regarding long-outstanding receivables. Most of these balances relate to contraventions issued several years ago, for which the Council has no documentation confirming that the funds were deposited into the Council's bank account. The Council had requested the relevant documentation from the respective entities; however, due to the age of these cases, no feedback has been received to date. The matter remains under review.

#### Accrued income related to grants

3.3 – 3.4 The Council agrees with the adjustment proposed by the auditors regarding the overstatement of the grant income. The necessary correction has been made and reflected in the final financial statements to ensure accurate reporting.

### **4. Payables**

#### Supplier statements

4.1 – 4.3 The Council acknowledges the importance of obtaining monthly supplier statements as outlined in the relevant procedures and the memos issued by the Department for Local Government. We understand the critical role these statements play in confirming year-end balances and ensuring the completeness of the books of account. While the Council makes every effort to obtain these statements, we acknowledge that there are occasions when suppliers' inefficiencies make this process challenging. Nevertheless, the Council will continue to chase suppliers for timely statements, and we are committed to improving this process going forward. This will help ensure that creditors are properly recorded, and any discrepancies or disputes are promptly identified and addressed.

#### Overdue of payables

4.4 – 4.5 Regarding the long-overdue balances totaling €67,378, some of these creditors' balances have already been settled during 2025. The remaining outstanding amounts are being actively monitored, and further efforts are being made to clear them as soon as possible.

PPP creditor

4.6 -4.7 The outstanding balance with the PPP creditor has been settled during 2025 after the contractor finally provided the required IBAN. Regarding the difference of €33,987, the Council maintains that the statement provided by the PPP creditor is incorrect. A letter, through the Council's lawyer, has already been issued, clarifying that these amounts are not overdue. The Council insists that the difference highlighted by the PPP creditor is inaccurate and has classified it as a contingent liability in the financial statements.

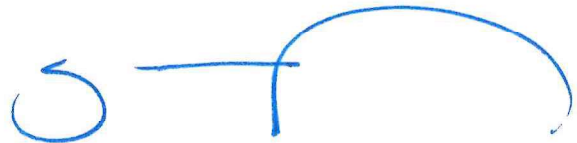
Other creditors - unidentified cash deposit

4.8 - 4.9 The Council does not agree with the statement in point 4.8 regarding the bulk transaction of contraventions. The Council did not deposit the amount of €6,124 as a bulk transaction of contraventions. As a large council, the Council collects a significant number of contraventions on behalf of LESA, which results in depositing large amounts into the Council's bank account. The collected amount is then transferred to LESA's bank account, as the bank does not accept direct cash deposits in other entities bank account. Furthermore, a report is automatically generated from the Loqus system, providing a detailed list of all contraventions collected. This ensures accurate tracking and reconciliation of payments. As for the recommendation to prepare a list of all receipts and transfers, the Council already follows the required procedures. There is a dedicated bank account for collections related to other entities, and the Council ensures that no double payments occur, as the funds are regularly transferred. Once transferred, there are no remaining balances in the account.

Thank you and best regards,



Jorge Grech  
Mayor



Stephanie Testaferrata de Noto  
Executive Secretary

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