GrantThornton

Grant Thornton Malta
Fort Business Centre, Level 2
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050 Malta
T +356 20931000

The Mayor
Zabbar Local Council
Ċentru Ċiviku
Triq iċ-Ċawsli,
Ħaż-Żabbar ZBR 1322

Our ref: PC/mc/137526

27 April 2026

Dear Sir,

Financial statements for the year ended 31 December 2025

During the course of our audit for the year ended 31 December 2025, we have reviewed the accounting system and procedures operated by Zabbar Local Council (the 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

We are pleased to note that the council has rectified the issue during the year under review.

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 Accrued income related to grants

The council failed to record accrued income pertaining to a grant for the reimbursement of expenses (refer to note 3.3).

1.6 Supplier statements

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

1.7 **Overdue of payables**

We have once again identified long-outstanding creditor balances in the accounting records (refer to note 4.4).

1.8 **PPP creditor**

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

1.9 **Other creditors**

We have again observed 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 €
Trees	24,358	24,355	3
Construction works	318,605	(180,322)	498,927
Furniture and fittings	24,237	5,233	19,004
Urban improvements	326,396	695,958	(369,562)
Office and computer	36,014	19,992	16,022
Plant and machinery	1,725	12,607	(10,882)
Motor vehicles	9	426	(417)
Assets not yet capitalised	14,042	167,132	(153,090)
	745,386	**745,381**	**5**

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	50,792	24,358	26,434
Construction works	191,695	318,605	(126,910)
Furniture and fittings	25,907	24,237	1,670
Urban improvements	282,803	326,396	(43,593)
Office and computer	28,221	36,014	(7,793)
Plant and machinery	1,795	1,725	70
Motor vehicles	9	9	-
	581,222	**731,344**	**(150,122)**

2.4 No explanation was provided by the council regarding the noted discrepancies. Due to the above, the council's depreciation for the year might be materially misstated as the depreciation is being computed on the assets recorded in the fixed asset register. To this end, our audit report has been qualified.

2.5 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.

3 Receivables

Long-outstanding debtors

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

Debtor	€
Regjun Port/Xlokk	256
Ministry for Agriculture, Fisheries, and Animal Rights (MAFA)	5,000
Lesa	47
Water Services Corporation	1,344
Zebbug - Malta Local Council	1,132
KALKARA Local Council	873
Kenneth Hardware Store	93
Centro Moda	500
E008 ESS	-
PAOLA Local Council	409
ZEJTUN Local Council	280
Tribunal Fgura	256
Don Berto	250
SLIEMA Local Council	233
HSBC	200
SC Engineering Supplies Ltd	186
FGURA Local Council	139
BIRKIRKARA Local Council	135
ISLA Local Council	128
MSIDA Local Council	116
Pitty's Rent A Car	84
KERCEM Local Council	83
VALLETTA Local Council	70
GZIRA Local Council	70
Regjun Centru	58
GHAXAQ Local Council	58
LUQA Local Council	58
SAN GWANN Local Council	47
QRENDI Local Council	47
BIRGU Local Council	47
SAN PAWL IL-BAHAR Local Council	47
TARXIEN Local Council	47
MARSASCALA Local Council	46
Bormla Local Council	46
Zabbar - Online	37
SANTA LUCIJA Local Council	35
GHARGHUR Local Council	35

XGHAJRA Local Council	35
LIJA Local Council	23
SIGGIEWI Local Council	23
NAXXAR Local Council	23
Transport Malta	14
SANTA VENERA Local Council	12
GO	9
Water Services Drainage Section	9
Drainage Department	5
Total	**12,645**

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 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. We noted that the Council failed to record accrued income of €596 pertaining to PV435. 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.

LES Debtors

3.5 In our testing on LES debtors, we obtained report 622 generated from the Loqus system and found that tribunal pending payments as at 31 December 2025 were €276,293. During 2025, the council passed an entry of €25,674 against LES debtors to agree the books with the LES report and the audit team have proposed an adjustment to reverse the entry passed by the council as there is uncertainty as to whether the LES reports are correct. The council effected the reversal in the income statement accounts however, did not reflect the adjustment in the LES receivable and provision accounts. Our audit report is not qualified since the reversal has no impact on the balance sheet. We still recommend the council to reinstate the receivable and respective provision as previously recorded by the council due to the unreliable information provided by Loqus.

3.6 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

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 €28,044. The following are the creditors' balances that have been overdue for one hundred eighty (180) days and more:

Supplier	**€**
Central Asphalt Limited	1,150
Darren Transport Gialanze	283
Equinox Advisory	177
GCS Malta	590
Leslie Balzan	177
Owen Borg	448
S. Spagnol Constructions Ltd	2,241
Shawn Bonaci	35
Telemalta / Go	248
Telezone	497
The Wignacourt Garden	117
Vella Group Limited	2,352
WasteServ Malta	19,729
Total	**28,044**

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 In our previous management letters, we noted that we had requested a confirmation from the supplier for the outstanding balance due. In 2024, the rolling balance from the supplier schedule amounted to €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. We further noted that an amount of €24,597 was paid to the supplier during 2025 however, no updated statement or correspondence was available from the supplier confirming that no further amount is due by the council. To this end, our audit report has been modified as we were unable to obtain appropriate audit evidence to determine whether this discrepancy remains unresolved.

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.

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Other creditors - unidentified cash deposit

4.8 We noted that included with other creditors is an amount of €5,028 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.

Rent accruals

4.10 During the year, rent expense amounting to €349 was not recorded as part of accruals. We have proposed an adjustment to record this amount in the appropriate accounts. The council has amended the financial statements to include our audit adjustment.

4.11 We recommend that the council properly accrues its rent expense so that expenses and liabilities are not understated.

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,

Grant Thornton