Ħaż-Żabbar
(Citta' Ħompesch)

5th August 2026

National Audit Office
Notre Dame Ravelin
Floriana

Dear Sir/Madam,

REPLY TO MANAGEMENT LETTER YEAR ENDING 31 DECEMBER 2025

Please find below the Council's replies to the observations raised in your Management Letter.

1. Previous Management Letter

1.1 Reconciliation of financial statements with accounting records

The Council acknowledges this observation. The matter is addressed in detail under reply 2.1, where the Council outlines the measures that will be taken to improve the reconciliation between the accounting records and the financial statements.

1.2 Reconciliation of financial statements to fixed asset register

The Council refers to its reply under 2.3. During the current financial year, the Council will continue reviewing the fixed asset register and investigate any remaining variances to ensure consistency between the accounting records and the financial statements.

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

The Council notes with satisfaction the auditors' acknowledgement that this matter has been rectified during the year under review and will continue to ensure that additions to fixed assets are properly recorded and disclosed in future financial statements.

1.4 Overdue debtors' balances

The Council refers to its reply under 3.1. Outstanding debtor balances will continue to be reviewed, and where balances are no longer legally recoverable, the necessary action will be taken in accordance with the applicable procedures.

1.5 Accrued income related to grants

The Council refers to its reply under 3.3. The proposed audit adjustment was accepted and incorporated into the financial statements. Additional care will be exercised when reviewing grant-related accruals in future reporting periods.

1.6 Supplier statements

The Council refers to its reply under 4.1. The Council will continue requesting supplier statements on a regular basis and following up suppliers accordingly. However, the Council cannot compel suppliers to provide statements where they fail to cooperate.

1.7 Overdue payables

The Council refers to its reply under 4.4. The outstanding balances are reviewed regularly and will continue to be settled or retained, as appropriate, in accordance with their contractual terms.

1.8 PPP Creditor

The Council refers to its reply under 4.6. The PPP liability has now been settled in full. The remaining balance relates to retention monies on separate works and is unrelated to the PPP contract.

1.9 Other creditors

The Council refers to its reply under 4.8. The Council was not requested to provide clarification regarding this matter during the audit process and therefore could not explain the transaction referred to.

2. Fixed Assets

2.1 Reconciliation of financial statements with accounting records

The Council acknowledges the recommendation made by the auditors. During the current financial year, the Council will endeavour to address this matter by carrying out a comprehensive review of the reconciliation between the financial statements and the accounting records with the aim of eliminating any remaining variances.

2.2 Reconciliation of financial statements with accounting records

The Council acknowledges the recommendation and will investigate any remaining variances identified during the reconciliation process. Where necessary, the appropriate accounting adjustments and reclassifications will be effected to ensure consistency between the accounting records and the financial statements.

2.3 Reconciliation of financial statements to fixed asset register

The Council is not aware that any audit query relating to the differences noted remained unanswered during the course of the audit. Nevertheless, should any variances continue to exist between the fixed asset register and the financial statements, these will be investigated

and the necessary corrective action will be taken to ensure that both records are properly reconciled.

2.4 No explanation provided regarding discrepancies

The Council remains committed to cooperating fully throughout the audit process and endeavours to provide all explanations and supporting documentation requested by the auditors. Should any additional clarification still be required regarding the variances identified, the Council remains available to provide the necessary information.

2.5 Recommendation

The Council acknowledges the recommendation and will continue working towards improving the reconciliation between the fixed asset register and the accounting records in order to ensure the completeness and accuracy of the asset register and the related depreciation calculations.

3. Receivables

3.1 Long-outstanding debtors

The Council will review the outstanding debtor balances and identify any amounts which are no longer recoverable due to prescription or any other legal reason. Where appropriate, the necessary action will be taken, following the required approvals, to remove such balances from the accounting records.

The remaining outstanding balances mainly relate to contraventions collected on behalf of other Local Councils. In several cases, the funds have either not yet been remitted to the respective Local Councils or, where payment has already been effected, the Council has not been provided with the necessary supporting documentation to enable the transactions to be properly reconciled. The Council will continue following up these outstanding matters whenever the required documentation becomes available.

3.2 Recommendation

The Council acknowledges the recommendation and will continue reviewing outstanding balances periodically. Where recoverability is doubtful, the Council will consider the appropriate action in accordance with the applicable accounting procedures and following the necessary approvals.

3.3 Accrued income related to grants

The Council accepted the proposed audit adjustment and amended the financial statements accordingly. Greater care will be exercised in future years when reviewing grant income and related accruals to minimise the possibility of similar omissions.

3.4 Recommendation

The Council acknowledges the recommendation and will continue reviewing grant allocations carefully to ensure that all related income is recognised correctly and in accordance with the relevant grant conditions.

3.5 LES Debtors

The Council records the LES debtor balances on the basis of the reports generated by the LES (Loqus) system. As the system is maintained externally, the Council is required to record the balances as generated by the official system reports.

The Council has no evidence to conclude that the information generated by the Loqus system is unreliable. Nevertheless, the observations raised during the audit will be brought to the attention of Loqus so that any discrepancies identified may be investigated and addressed accordingly.

3.6 Recommendation

The Council acknowledges the recommendation and will raise the observations noted during the audit with Loqus for further investigation.

4. Payables

4.1 Supplier statements

The Council has requested supplier statements from its suppliers in accordance with established procedures. However, not all suppliers provide the requested statements despite repeated requests.

The Council has taken all reasonable steps within its control to obtain supplier statements. Unfortunately, the Council cannot compel suppliers to provide this documentation and therefore cannot be held responsible for circumstances that are beyond its control. Nevertheless, the Council will continue requesting supplier statements on a regular basis and following up outstanding requests.

4.2 Recommendation

The Council will continue requesting supplier statements on a regular basis and perform reconciliations whenever statements are made available by suppliers.

4.3 Recommendation

The Council acknowledges the recommendation and will continue following up suppliers to obtain the required statements and ensure that any differences identified are investigated promptly.

4.4 Overdue payables

The Council continually reviews its outstanding creditors.

A number of the balances identified in the Management Letter, including the WasteServ Malta balance, were settled in February 2026 prior to the completion of the audit. The remaining outstanding balances mainly relate to retention monies or contractual obligations which remain legitimately payable.

The Council will continue monitoring these balances and settle them once the contractual conditions have been satisfied.

4.5 Recommendation

The Council acknowledges the recommendation and will continue reviewing outstanding creditor balances periodically to ensure that amounts due are settled accordingly and that any balances no longer payable are addressed in accordance with the applicable procedures.

4.6 PPP Creditor

The Council confirms that the final payment relating to the PPP contract was effected on **18 March 2025**. Following this payment, the balance due in relation to the PPP contract was nil.

The supplier subsequently carried out other works unrelated to the PPP project. The remaining balance of €2,352 relates solely to retention monies associated with these separate works and is not connected with the PPP contract.

The Council has repeatedly requested updated supplier statements relating to the PPP contract through numerous emails and telephone calls. Despite these efforts, the supplier has consistently failed to provide the requested statements or any confirmation regarding the historical balances. Consequently, the Council has taken all reasonable steps within its control to obtain the necessary confirmation and reconcile the outstanding balances.

4.7 Recommendation

The Council remains committed to obtaining the requested supplier statement and will continue following up the supplier in order to resolve the historical discrepancy.

4.8 Other creditors – unidentified cash deposit

The Council was not requested to provide clarification regarding this observation during the course of the audit and was therefore not given the opportunity to explain the transaction referred to in the Management Letter.

Furthermore, the Council is unable to identify the amount referred to, as no supporting information, transaction date, bank reference or any other identifying details were provided. The Council confirms that there is no single cash deposit relating to contraventions amounting to approximately €5,028 during the year under review. Consequently, the Council is unable to determine the transaction to which this observation refers.

Should the auditors provide the relevant details relating to the transaction, including the transaction date, bank reference or supporting documentation, the Council will investigate the matter thoroughly and provide the necessary clarification.

The Council remains committed to maintaining appropriate reconciliation procedures and will continue reconciling receipts, deposits and related transactions based on the information available.

4.10 Rent accruals

The Council accepted the proposed audit adjustment and amended the financial statements accordingly. The Council will ensure that greater attention is given to rent accruals in future reporting periods to minimise the possibility of similar omissions.

Jorge Grech
Mayor

Stephanie Testaferrata de Noto
Executive Secretary