

FINDINGS ARISING FROM 2024 AUDIT

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	LOCAL COUNCIL REPLIES
1. PROPERTY, PLANT AND EQUIPMENT 1.1. Classification of Transactions <i>Weakness</i> 1.1.1. During our audit procedures, we noted that there were capital expenses amounting to € 39,354 which were incorrectly accounted for within administrative expenses, as follows: - Council property of € 10,337 - Repairs and upkeep of € 26,509 - Other repairs and upkeep of € 2,508. These were capitalised at audit level with Urban Improvements. 1.1.2. Consequent to the above adjustments, the impact on the depreciation charge for the year amounted to € 2,496, which was also reflected accordingly at audit level.	

Deficiencies noted in the course of our audit of the financial statements of the Zurrieq Local Council for the year ended 31 December 2024

<i>Recommendation</i> 1.1.3. We recommend that more attention is paid to the updating of accounting records to segregate properly between revenue expenditure and capital expenditure. Further, we recommend that the classification of the assets being purchased is identified in terms of the following categories: - Assets purchased in terms of IAS 16 Property, Plant and Equipment; - Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and - Assets under development and not yet brought to use.	NOTED
2. CASH AT BANK 2.1. Treasury management <i>Weakness</i> 2.1.1. We have noted that while the Council holds € 1,705,325 in bank balances, as detailed in note 12 of the financial statements, these funds are not classified based on their intended use, whether for operational purposes, capital expenditure, or funds held on behalf of third parties.	

<i>Recommendation</i> 2.1.2. We recommend that the Local Council adopts an improved treasury management procedures to categorise bank accounts according to their nature. This approach would ensure transparency and efficient utilisation of public funds, aligning with the Council's Budget Management guidelines.	By the year 2025 the Council will embark on a new project of building a new premises to serve as a Council's office, hall , boardroom and 2 underground parking. This will surely cost over the mentioned amount. We asked our architect to provide an estimate cost of the project , which shall be available by end of September 25								
3. DEBTORS 3.1. Long outstanding debtors <i>Weakness</i> 3.1.1. During our audit testing, we noted that the Council's list of debtors contains balances that are considered doubtful in terms of recoverability. These balances have been fully provided for in the accounting system. <table border="1" data-bbox="297 962 1395 1225"> <thead> <tr> <th>Debtor</th><th>€</th></tr> </thead> <tbody> <tr> <td>Malta Tourism Authority</td><td>2,981</td></tr> <tr> <td>Water Services Corporation</td><td>953</td></tr> <tr> <td></td><td>3,934</td></tr> </tbody> </table>	Debtor	€	Malta Tourism Authority	2,981	Water Services Corporation	953		3,934	
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<i>Recommendation</i>	We will take your recommendation								

3.1.2. We recommend that the Council convenes to discuss the possibility of writing off these doubtful balances in view of the extended credit period. Furthermore, the Council should send continuous reminders / statements to its debtors to ensure that the Council still has the right to collect the amounts due.	
3.2. Debtor – Regjun Punent <i>Weakness</i> 3.2.1. We have noted that several reimbursements pertaining to Traffic Calming Measures and Road Markings from Regjun Punent amounting to € 7,550 were already recorded as receivable in 2023 but were incorrectly accounted for again as income in 2024. When the payment was received, instead of offsetting the receivable account, the Council credited the amount to income, resulting in an overstatement of revenue. An audit adjustment has been passed to this effect.	
<i>Recommendation</i> 3.2.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether they were received or not, should be accounted for in order to avoid understatement of receivables and completeness of income.	NOTED
4. ACCRUED INCOME <i>Weakness</i>	NOTED

Deficiencies noted in the course of our audit of the financial statements of the Zurrieq Local Council for the year ended 31 December 2024

4.1. During our audit fieldwork, we noted that the Council failed to record accrued income pertaining to amounts receivable in relation to financial assistance for the <i>Scheme for Annual and Christmas Cultural Activities 2024/2025</i> of € 2,356 relative to the costs incurred during the year. An adjustment was affected at audit level to account for the said understatement in income. <i>Recommendation</i> 4.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether this was received or not, should be accounted for in order to ensure completeness of income.							
5. CREDITORS 5.1. Long outstanding creditors <i>Weakness</i> 5.1.1. During our audit testing, we noted that the Council's creditor list includes the following balances which is long overdue. Upon inquiry, we noted that this balance corresponds to deductions from invoices charged by the Council's contractor responsible for maintaining soft areas and public gardens. The reason for these deductions is that the contractor did not fulfil the expectations outlined in the contract. <table> <tr> <td>Creditor</td><td>€</td></tr> <tr> <td>Progressive Solutions</td><td>9,028</td></tr> <tr> <td></td><td> </td></tr> </table>	Creditor	€	Progressive Solutions	9,028			
Creditor	€						
Progressive Solutions	9,028						

<i>Recommendation</i> 5.1.2. We recommend that the Council reviews its positions and determine if the amounts provided are payable or otherwise. Furthermore, decisions and discussions regarding these balances should be minuted during the Council meetings.	We will take your recommendation
5.2. Other creditors <i>Weakness</i> 5.2.1. We have noted a balance of € 25,000 owed to the government, which represents funds received from the Scheme - Capital Projects in Localities (Memo 48/2009). However, these funds were not utilised as the estimated project cost exceeded the provided funds. As a result, the funds have not yet been refunded to the respective parties. No communication has been initiated regarding this matter.	
<i>Recommendation</i> 5.2.2. We recommend the Council to initiate communication with the relevant parties to inform them about the situation regarding the unutilised funds. Provide an explanation for why the funds were not used and outline plans for refunding the funds to the respective parties.	16 years have passed and no one Claimed the funds back. The Council Will utilise the funds on the new capital Project as in note 2.1. The funds were Given for the same project.

6. PREPAYMENTS 6.1. We have noted the following weaknesses in accounting for prepayments: • An invoice from Automation Systems Ltd for the installation of a smart parking system included an annual maintenance fee of €1,350 (excluding VAT) for the year 2025. However, when this transaction was recorded, the council failed to account for the VAT component correctly.	
<i>Recommendation</i> 6.2. We recommend that a procedure is in place to ensure that invoices relating to goods or services hovering around the year end, are properly verified to ensure that these are accounted for in the correct period. Failing to do so could result in the understatement of assets and liabilities at the year end.	Councill will take your recommendation.
7. REVENUE 7.1. General income <i>Weakness</i> 7.1.1. During our audit fieldwork, while performing a reconciliation between the total receipts issued from the Council's online permit system and the total income recorded in the accounting system, an overall difference of € 223 arose in under declaration in the accounting system. The difference is immaterial which clearly indicates that the Council is issuing receipts correctly from the online system. Nonetheless, reconciliations should be carried out between the online system and the nominal ledger for any discrepancies to be investigated and rectified.	

<i>Recommendation</i> 7.1.2. We urge the Council to continue updating the permit's online system so that a complete trail will be available for all income issued, reconciling with receipts reflected in the accounting system. It is of utmost importance for the Council to regularly reconciles the receipts issued from the system with the income recorded in the accounting system.	From this year we are doing reconciliation every month.
7.2. Income from Government Grants <i>Weakness</i> 7.2.1. Our audit verification revealed that Income for the year, along with the corresponding orchestra expenses, were overstated by € 4,200 in view of incorrect posting of grant from Arts Council. 7.2.2. Furthermore, as stated in note 4 to the management letter, revenue was understated by € 2,356 in relation to financial assistance for the <i>Scheme for Annual and Christmas Cultural Activities 2024/2025</i>. This occurred because not all reimbursable expenses submitted for funding were properly accounted for as income.	
<i>Recommendation</i> 7.2.3. We recommend implementing enhanced control procedures to ensure that all income is recognised in the period in which it is earned, and aligned with the corresponding costs incurred.	NOTED

8. DEBIT TRANSACTIONS

8.1. Procurement Guidelines

Weakness

8.1.1. During our audit fieldwork on the debit transactions, the following irregularities were noted from sample selections carried out:

Detail	Supplier	Date	Amount	Note
Pruning of trees	David Vella	21/03/2024	1,852.64	(a)
Jason Busuttil - Inv 265	Jason Busuttil	27/05/2024	1,817.20	(a)
Bowser service - Aug and September	Paul Zammit	24/09/2024	3,115.20	(a)
Works in Hal Millieri	Claire Bonnici	27/05/2024	3,760.00	(a)
Artificial turf works - Gnien il Gibjun	Three Eight Nine Ltd	12/12/2024	4,849.80	(a)
Various invoices for ironmongery items	Tower Ironmongery	15/10/2024	6,517.78	(a)
Legal services	Borg & Associates	12/07/2024	2,025.33	(a)
Reception 13.07.24	La Principessa	22/08/2024	965.00	(a)
Reception 13.07.24	La Principessa	22/08/2024	878.00	(a)

Deficiencies noted in the course of our audit of the financial statements of the Zurrieq Local Council for the year ended 31 December 2024

Armar Christmas tree	Victor Tedesco	31/12/2024	3,100.00	(a)	
Dawl Milied	Domenic Ellul	31/12/2024	5,700.00	(a)	
Vouchers for musicians	Maltapost	22/05/2024	5,150.00	(a)	
Choir service	Abraham Damato	24/05/2024	10,384.00	(b)	
Photocopier agreement	Advanced Telecommunications	10/01/2024	947.96	(c)	
Photocopier agreement	Advanced Telecommunications	24/05/2024	1,894.83	(c)	
(a) The Council did not obtain any quotations. (b) Despite the sum exceeding €5,000, no tender was issued, but instead quotations were obtained. (c) These services are covered by expired agreements.					
<i>Recommendation</i> 8.1.2. In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government, the Council should obtain at least three signed quotations for purchases exceeding € 50 up to € 5,000 unless, for purchases exceeding € 50 but not € 500, a direct order approved by the Executive Secretary is issued. Furthermore, for any purchases exceeding € 5,000 but not exceeding € 10,000, a quotation through the EPPS should be issued.					a) We took note of 8.1.1 , we will do our utmost for years ahead b) The Council asked for specific quotes but only Abraham D'Amato quoted for the event c) After this note we are in communication with Advanced Telecommunications to extend agreement with them.

9. PRIOR-YEAR REINSTATEMENTS <i>Weakness</i> 9.1. Prior-year re-instatement of € 2,080 were reflected against opening retained funds, and consist as follows: - Grants receivable amounting to € 78,893 were omitted in previous years. An adjustment has been reflected to recognise such amount as Grants within Property, Plant and with the corresponding increases being reflected against opening accrued income. - Consequent to the above adjustment, Depreciation within Property, Plant and Equipment in the financial statements was overstated by € 2,080.	While closing accounts for year ending 2023, council had limited information on these grants and hence Council could not include these amounts.
<i>Recommendation</i> 9.1.1. Proper classification of Grants is crucial in line with the capital costs incurred, in order to ensure that the Matching Concept is being adhered to. Wrong classifications can lead to inaccurate depreciation costs and incorrect cut-offs. We also recommend that Bill of Quantities are prepared for each capital project, to ensure that proper costings are made prior to embarking on new projects.	

10.CONCLUSIONS 10.1. We have noted that good internal procedures are being instilled by the Council. The Council and its employees should continue to strive to achieve a good control environment by ensuring that optimum use of public funds. 10.2. We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.	Noted
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