FINDINGS ARISING FROM 2025 AUDIT

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	LOCAL COUNCIL REPLIES
1. PROPERTY, PLANT AND EQUIPMENT **1.1. Classification of Transactions** *Weakness* 1.1.1. During our audit procedures, we noted that there were capital expenses amounting to € 14,805 which were incorrectly accounted for within administrative expenses under 'Other repairs and upkeep'. 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 € 14,805 since these pertained to playing field equipment which is depreciated at 100%. Said depreciation charge adjustment was also reflected accordingly at audit level.	The Council will input replacement of rubber tiles as Fixed Assets and depreciation will be deducted accordingly.

Recommendation 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. **1.2. Disposal of assets** *Weakness* 1.2.1. During our audit procedures, we noted that assets having a cost of € 4,956 and included under Special Programmes, were disposed during the year under review however such disposal was not reflected in the accounts. This was adjusted at audit level. The net book value of the asset was nil and thus it had no financial impact on the results of the Council.	This was a mistake since during disposal it was not noted the asset had a grant allocated against it.

Recommendation 1.2.2. We recommend that the Council ensures that all asset disposals are formally documented, approved, and recorded in the fixed asset register on a timely basis. This should include maintaining adequate supporting documentation for disposals and performing periodic reconciliations between the fixed asset register and Council records. Implementing these controls will help ensure completeness and accuracy of asset records and improve compliance with applicable financial reporting and governance requirements.	

<table>
<tr>
<td>

2. CASH AT BANK

2.1. Treasury management

Weakness

2.1.1. We have noted that while the Council holds € 1,607,090 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.

Recommendation

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.

</td>
<td>The said bank balance will be used Mainly on the new council project at Triq Gervase Matthew.</td>
</tr>
</table>

3. DEBTORS

3.1. Long outstanding debtors

Weakness

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 as follows.

Debtor	**€**
Malta Tourism Authority	2,981
Water Services Corporation	953
	3,934

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 as due.

We do so from time to time.

3.2. LESA Receivables *Weakness* 3.2.1 We noted that the Council holds a debtor balance associated with the LESA old balance amounting to € 249,382, which is fully provisioned in the accounts. However, there is no clarity regarding whether this sum is fully or partially recoverable. Further, eventhough balance as per financial statements agrees to the LES Report 622 extracted from the Loqus system, no proper reconciliation was provided. An adjustment was passed by the accountant at year end for balances to agree. *Recommendation* 3.2.2 The Council is advised to engage their legal advisors to assess the feasibility of writing off or recovering the LESA old balances. Seeking legal counsel will provide clarity on the legal implications and options available regarding these amounts. Further reconciliations of movements on the balance due are to be carried out ongoing and reflected correctly in the accounting system.	The council is consulting with South Region to give one reply for all the Councils involved.
3.3. Trade Receivables *Weakness* 3.3.1 During our audit procedures, we tested the balance due from Żurrieq FC amounting to € 3,465.53 as disclosed in the financial statements. However, the supporting statement provided by the Council reflected a balance receivable of only € 865.53, resulting in an unreconciled difference of € 2,600.	Zurrieq FC will settle balance by end of Year and will reconcile balance.

Upon enquiry, management explained that the difference relates to invoices issued by Żurrieq FC which were intended to be offset against amounts receivable by the Council. Nevertheless, we noted that no corresponding liability towards Żurrieq FC was recognised under payables in the financial statements. *Recommendation* 3.3.2 We recommend that the Council carries out a reconciliation and review procedures relating to receivable and payable balances, particularly where offset arrangements exist. Any amounts intended to be offset should be formally documented, properly reconciled, and supported by corresponding accounting entries in both receivables and payables records. This will help ensure the completeness, accuracy, and proper presentation of balances disclosed in the financial statements.	

4. CREDITORS **4.1. Long outstanding creditors** *Weakness* 4.1.1. During our audit testing, we noted that the Council's creditor list includes a balance with Progressive Solutions 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 as outlined in the contract.	The Council will take your recommendation into consideration .

Recommendation 4.1.2. 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 as to the outcome of the amounts payable.	

4.2. Other creditors *Weakness* 4.2.1. 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.	This matter was already addressed in previous statements. The Zurrieq Local Councill is going to keep funds received since no one claimed them back.
Recommendation 4.2.2. 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.	

5. REVENUE **5.1. General income** *Weakness* 5.1.1. 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 € 119 arose in over 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.	The Council will try to be more accurate in doing the reconciliation
Recommendation 5.1.2. 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.	

6. DEBIT TRANSACTIONS	We are doing our utmost to obtain Three quotations

6. DEBIT TRANSACTIONS

6.1. Procurement Guidelines

Weakness

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

Detail	Supplier	Date	Amount	Note
SIM Card Data service	AIS Technology Ltd	02/06/2025	900	(a)
SIM Card Data service	AIS Technology Ltd	03/11/2025	900	(a)
NEOS office - renewal of SAGE support	NEOS	12/11/2025	831.9	(a)
Valleta glass - gieh iz-Zurrieq souvenirs	Valletta Glass	15/05/2025	1711	(a)
Barriers - Horse Race	TEC LTd	13/01/2025	3894	(a)
Carnival Bank	Josef Grech	06/03/2025	1140	(a)
Zurrieq Festa Agreement	Socjeta Muzikala Santa Katarina	18/06/2025	1230	(a)
Entertainment Zurrieq Fest	Salvu Galea	22/07/2025	1930	(a)
Insurance Christmas Village	Antes Insurance Brokers	19/11/2025	1376.75	(a)
Photocopier Agreement	Adavanced Telecommunications	12/03/2025	1,570.25	(b)
Photocopier Agreement	Adavanced Telecommunications	27/06/2025	1,904.50	(b)
Photocopier Agreement	Adavanced Telecommunications	30/10/2025	1,883.79	(b)
Photocopier Agreement	Adavanced Telecommunications	17/12/2025	699.19	(b)

(a) The Council did request at least 3 quotations. *(b)* Cost was covered by an agreement but no quotes were obtained prior entering into the renewal of the agreement. Further, despite the sum exceeding €5,000, no tender was issued.	
Recommendation 6.1.2. 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.	
7. HUMAN RESOURCES *Weakness* *7.1.1* Whilst verifying the list of employees to Jobsplus Employment list, it was noted that Ms Francesca Camilleri was still showing as an active employee with the Council despite she was terminated in previous years.	Will do so

Recommendation 7.1.2 Eventhough the termination was submitted when this matter was brought to the attention of the Council during our audit fieldwork, we still recommend that the Council strengthens its human resources and payroll procedures to ensure that all employee engagements and terminations are processed and submitted to Jobsplus immediately upon occurrence. Periodic reviews should be carried out to ensure that all statutory forms are being submitted and processed. Implementing these procedures will help ensure compliance with applicable employment regulations and maintain accurate employment records.	
8. CONCLUSIONS 8.1. 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 the optimum use of public funds. 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.	