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Auditor General  
National Audit Office  
Notre Dame Ravelin  
Floriana FRN 1601  
Malta

30<sup>th</sup> May 2024

**RE: REPLY TO REPORT BY AUDITOR GENERAL FOR THE PERIOD ENDED 31 DECEMBER 2023**

**1.0 FOLLOW UP TO LAST YEAR'S REPORT**

Noted and currently action is being taken to, as much as possible, address any pending issues.

**2.0 PROPERTY, PLANT AND EQUIPMENT**

The issue about Property, Plant and Equipment has been with the Council for a couple of years. The Council has embarked on the project to reconcile and update its Fixed Asset Register in line with Direttiva 1/2017 from DLG. The rebuilding of the FAR was a challenge in itself, which process was performed as diligently as possible with the data available at hand. It is important to note that any fixed assets which had not been physically written off but have a nil net book value because they are fully depreciated will still show on the FAR. Mentioned grants and related adjustments as suggested by the auditors were included in the updated financial statements but were a result of different method of calculation of the grant and cost to be shown in this year's financial statements and not the future since all of them are still as asset not yet capitalised and not completely capitalised. The Council did ask for the architect's letter but it is to be noted that the Council was using practically the services of a different architect for every project and thus the exercise of obtaining an architect letter proved very difficult. Not to mention that the Council had projects which did not require an architect. Most of the property, plant and equipment which the Council had bought before the Direttiva 1/2017 have now been fully written off. The acquisition date where available is included in the FAR. The

*Handwritten initials: A and D.S.*

Council will be physically checking the fixed assets in view to update the Fixed Asset Register in Sage.

Most of the projects which were mentioned in the management letter has now been closed and thus all capitalised to Property, Plant and Equipment.

### **3.0 PAYABLES**

Mentioned accrual has been with the Local Council for a number of years. In line with the prudence concept, the Council is accruing for the annual rent as stated by the auditor. The Council will liaise with the Housing Authority about this matter upon receipt of any request for payment/signing of contract. The Council will honour any fair request for payment from the Housing Authority/Lands Authority in a timely manner as we do with all creditors.

### **4.0 INCOME**

Noted and mentioned reclassification was reflected in the updated financial statements.

### **5.0 EXPENDITURE AND TENDERS**

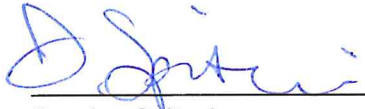
Noted. The increase in cost of rent reflects accruing for previous years' rent on one of the devolved properties which invoice was never received. The cost of Repairs and Upkeep is very difficult to predict although the Council does its utmost to control the costs while keeping a balance with the requirements of the locality. It is important to note that the Council managed to decrease the total Operations and Maintenance cost. In other words, the Council allocated the savings which they had on the Waste collection and tipping fees to the repairs around the locality while decreasing the total operations and maintenance cost. Hospitality cost incurred was higher than the budget since the Council benefitted from various schemes to organize Christmas events and summer events in Xlendi. These costs were fully reimbursed and their reimbursement shown as income under the Income section.

### **6.0 OTHER MATTERS**

Any misunderstanding or human error is regretted. The Council did do a reconciliation of the opening reserves and no inconsistency was noted. It seems that there were adjustments between the assets under construction, accrued income and deferred income to account for whether the payments in advance on grants during 2022 were to be accounted for under deferred income or under property, plant and equipment which by mistake were not included in the opening trial balance. Most of the amount mentioned by the auditors were effectively

 D.S.

reclassification between Asset not yet Capitalized and Completed projects which effectively were only completed in 2023. Any adjustments as suggested by the auditors were included in the updated financial statements



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Damien Spiteri  
Mayor



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Ryan Debrincat  
Executive Secretary