



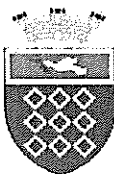
*Haż-Żebbuġ - Citta' Rohan*

***KUNSILL LOKALI HAŻ-ŻEBBUĠ***

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Council Reply  
to the  
Management Letter  
Of Nexia BT

Related to the Financial Statements for the year  
ended  
31 December 2015



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**1. Introduction**

The Executive Secretary of the Zebbug Local Council is replying to this management letter as per the Council's responsibilities by law.

**1.1 Income**

It is true that deposits were not made twice a week, the reason being that the amount of cash was not always that significant.

**1.2 Payroll**

The Local Council signed an agreement with the Inland Revenue Department to settle past balances.

**1.3 Expenditure**

It is not always possible to stick to the threshold of Eur 23.29 for petty cash payments. A bill for groceries is never presented but only the receipt after such payment is made is presented.

**1.4 Property, plant and equipment**

Unfortunately such decision for the FAR has not been reached yet.

**1.5 Inventories**

Point is noted.

**1.6 Receivables**

Information about this garnishee order is still being retrieved by our lawyer.



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**1.7 Creditors**

Each and every supplier was sent a specific e-mail, whereby they were asked for a statement. Some of the suppliers failed to send their statements.

The disputed amount with Schembri Infrastructures is still not resolved and is being discussed at the Law Courts.

Some of the long outstanding creditors are being paid by monthly instalments.

**1.8 Opening Balances**

Nothing to comment.

**1.9 Financial Situation Indicator**

Nothing to comment.

**1.10 Budget**

Nothing to comment.

**1.11 Council Meeting**

Nothing to comment.

**1.12 Accounting function**

Nothing to comment.

**1.13 Going Concern**

Nothing to comment.



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**1.14 LES Cheques dated 2007**

Nothing to comment.

**1.15 Councillors' allowance**

Nothing to comment.

**2. Management letter points for the year**

**2.1 General income and custodial receipts**

Reply already given in 1.1

**2.2 Payment of FSS tax and NI**

As at May 2016, value paid to IRD is Eur52,642.23 out of Eur 52,730.23.

**2.3 Wages reconciliation**

Our accountant was informed and discrepancy is investigated.

**2.4 Employee register and contract**

Nothing to comment.

**2.5 Petty Cash Payments**

Refer to reply to 1.3

**2.6 Unpresented Cheques**

Nothing to comment.



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**2.7 Asset Insurance**

Nothing to comment.

**2.8 Fixed Asset Register**

We asked for quotations for the compilation of the FAR.

**2.9 Depreciation**

Since the FAR was not prepared, the depreciation cannot be calculated as requested.

**2.10 Devolution of Property**

The Zebbug Local Council has no knowledge that a note regarding devolution of this property was ever received.

**2.11 Expired Contract**

This point is noted.

**2.12 Net Realisable value of Inventories**

This point is noted.

**2.13 Stock List**

This point is noted.

**2.14 Receivables**

Reconciliations of trade receivables will be performed and any adjustments will be passed before the audit.



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**2.15 Local Enforcement systems**

Nothing to comment.

**2.16 Overdue receivables**

Refer to point 2.14.

**2.17 Garnishee order**

This issue is being checked by our lawyer so that this money is released.

**2.18 Debit Balances in creditors' list**

Nothing to comment.

**2.19 Trade Creditors**

Nothing to comment.

**2.20 Disputed amount**

This case is still being heard in the Law Courts. Evidence by Schembri Infrastructures is still being presented.

**2.21 Accruals and deferred income**

The related adjustments were passed in the accounts.

**2.22 Long-outstanding creditors**

Amount due to Bonnici Bros. is being disputed and case is being heard by the Malta Arbitration Centre. The situation is the same for Schembri Infrastructures.

Ritemix is being paid a monthly instalment as per the repayment agreement.



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Raymond Calleja, Med Design Associates, Micamed are also being paid monthly instalments.

With regards to Media & Graphics, a dispute was registered in our Law Courts, which is still unsettled as at today.

Balance owed to Corinthia San Gorg was settled earlier on this year.

The other creditors that were mentioned are being checked.

### **2.23 Tipping fees**

Payments in favour of Wasterserv are being issued regularly during 2016.

### **2.24 Opening Balances**

This point is noted.

### **2.25 Going Concern**

This point is noted.

### **2.26 Financial Situations Indicator**

The participation of the Zebbug Local Council in the PPP grant scheme has led to the current financial situation. Since these PPP repayment periods are for six or eight years, local councils have no option but to rely on future government allocations and on any additional help that the local council may get.

Through repayment programmes, and also due to the reduction in costs, the non-current and current liabilities are being reduced, and this will



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eventually be reflected in the FSI. Due to the high net liabilities, the FSI will take some time to improve.

**2.27 Accounting function**

Nothing to comment.

**2.28 LES cheques dated 2007**

These cheques were issued in 2007 and early 2008. It will be a very difficult task to recover the amounts of the stale cheques since a receipt was issued for each and every payment and the status of these contraventions is marked "paid" in the system.

**2.29 Unadjusted errors**

This point is noted and action will be taken so that this will not happen.

Ms. Paula M. Valletta  
Executive Secretary