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The Mayor
Naxxar Local Council
Civic Centre
21st September Avenue
Naxxar NXR 1017
Malta

Our ref: AB/mf/128225

21 May 2025

Dear Madam,

Financial statements for the year ended 31 December 2024

During the course of our audit for the year ended 31 December 2024, we have reviewed the accounting system and procedures operated by your council. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter**1.1 Income from Joint Committee**

As the liquidation of the Joint Committee has not yet concluded, hence the issue regarding the income from the Joint Committee is still open (refer to note 2).

1.2 Accounting for grants

The council did not rectify the issue during the year under review (refer to note 3).

1.3 Tagging of fixed assets

The council again did not rectify the issue during the year under review (refer to note 4).

1.4 Trade and other payables

The council again did not rectify the issue during the year under review (refer to note 6).

2 Income**Income from Joint Committee**

- 2.1 We noted that the North Joint Committee, of which Naxxar local council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2010.



- 2.2 The reserves of the committee at that date amount to €1.7 million. In the absence of audited financial statements, we were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.
- 2.3 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.
- 2.4 Further to the point above, in 2022, the Department for Local Government engaged an accountant as part of the process to liquidate the joint committee. In 2024, the liquidation is still underway.

3 Grants

Accounting for grants

- 3.1 As stated in previous year's management letter, during 2018 the council has adopted the capital approach in line with Directive 1/2017. In 2018, it was noted that the amount released to income for special programmes and computer equipment categories up to 2016 was €145,897 and €3,605 respectively as indicated in the schedules provided by the council in audit 2018. However, in the audited financial statements for the year ended 2018 the amounts of grants released for special programmes and computer equipment categories were of €182,945 and €3,336 respectively. During the 2018 audit, the council failed to provide explanation for these discrepancies. In 2023, the Council provided a schedule showing the breakdown of the amount as recorded in their books however, in 2023 and 2024 no reconciliation was done for the discrepancies noted as mentioned above. As a result, our audit report has been qualified.
- 3.2 We recommend the council to investigate these discrepancies and establish whether the release of deferred income schedule or audited financial statements 2018 are correct and if necessary, the books of account should be adjusted accordingly.

4 Fixed Assets

Reconciliation of Financial Statements with Fixed Asset Register

- 4.1 We identified differences between the net book value of assets in the financial statements and the net book value in the fixed asset register. These are summarised below:

Asset category	NBV in unaudited financial statements (a) €	NBV in fixed asset register (b) €	Difference (a - b) €
Urban improvements	854,593	42,828	811,765
Plant, machinery and equipment	12,495	17,977	(5,482)
Special programmes	112,460	348,002	(235,542)
Asset under construction	104,559	613,116	(508,557)
	1,084,107	1,021,923	62,184

- 4.2 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and reclassified accordingly.

5 Trade and other receivables

Long-outstanding debtor

- 5.1 The council has balances due from Iprojects Ltd amounting to €14,678 that has been outstanding since 2023 with no provision set up. As per discussion with the executive secretary, they are still chasing the debtor to receive this balance but has not been receiving feedback from the debtor.

We recommend that the council provide appropriate provisions or write offs should be recorded when recovery is deemed unlikely in line with the accounting standards and the Local Council's accounting policies.

6 Trade and other Payables

Supplier statements and long-outstanding creditors

- 6.1 Circulars issued from time to time by the Department of Local Government specifically emphasise that the council should acquire monthly statements from all its suppliers. We noted that council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. The council provided an excel file with the complete lists of the creditors with balances at year-end.
- 6.2 We also noted that the council's creditors' list includes the following balance which have been outstanding for more than one year:

Creditor	€
Automated Revenue Management Services	637
Britz Technologies Ltd	1,235
Dimbros Ltd. (Year 2021)	5,917
Doric Studio (Year 2022)	43,874
J&G Drainage Solutions	140
Joserosand Art Studio	263
Mario Malia	165
Progressive Information Systems Ltd	253
SRF & Veladrians	118
	52,602

- 5.3 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

7 Expenses

7.1 We noted a credit balance of €16,104 in the expenses for Christmas lighting and decorations. This resulted from the over accrual of related expenses from prior year as compared to amounts actually settled in 2024. The council agreed to reclassify the credit balance to other income account under general income.

We recommend that the council monitors the accruals posted every year-end and to reclassify any over/under accrual accordingly.

8 Deferred income

8.1 We noted an advance payment of €72,420 in relation to a new project 'Masgar it-fal' from Planning Authority (GS/50020/2024). This is recorded under "Other payable". The council agreed to reclassify the credit balance to deferred income.

We recommend that the council monitors any advance payments related to grants/projects and reclassify to the correct account accordingly. This is to ensure that the proper recognition of government grants and deferred income is recorded in the books.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Mr Paul Gatt and his staff for their co-operation and assistance during the course of the audit.

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