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Department For
12 MAY 2025
Local Government

The Mayor
Xghajra Local Council
Delle Grazie Battery
Ix-Xgħajra XJR 1360

- 6 MAY 2025
NATIONAL AUDIT OFFICE

Our ref: AB/mf/115025

28 April 2025

Dear Sir,

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 Xghajra Local Council (the "Local 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 Upkeep of fixed asset register

The Local Council did not rectify the issue during the year under review (refer to note 5.1).

1.2 Grants in fixed asset register

We again noted discrepancies between the grants in the books of account in each category and the grants included in the fixed asset register (refer to note 5.3).

1.3 Debit balances in creditors' list

The Local Council's books of account still include debit balances in creditors list (refer to note 4.1).

1.4 Long-outstanding creditors

We again noted creditor balances which have been outstanding for more than one year (refer to note 4.2).

1.5 Allocation of income

We still noted that some of the Local Council's government income were still not properly allocated (refer to note 2.1).

2 Income

2.1 Government income

In 2024, the Local Council received €10,000 annual community support from Water Service Corporation. The Local Council has included this amount as Deferred income in the unaudited financial statements. An audit adjustment was proposed in this regard to recognise receipt as current year's income under the appropriate line item. The adjustment has been reflected in the audited financial statements.

We recommend that the Local Council ensures proper allocation of income and records income received through various schemes as other Government income, unless otherwise directed by the Department for Local Government.

2.2 Accrued Government income

During our review of government grants, we noted that €10,093.60 grants for 2024 annual cultural activities was approved by Local Government Division but was not included in the accrued income. Another government grant amounting to €13,663.42 related to grants for property, plant and equipment was not included in the accrued income schedule. Audit adjustments were proposed in this regard to recognise current year's accrued income under the appropriate line item. The adjustment has been reflected in the audited financial statements.

We recommend that the Local Council maintains a proper monitoring of government schemes income granted throughout the year, whether received or not. The Local Council should immediately inform the employed accountant for any government grants approved or expected to be received to ensure that the accountant has complete information on the Local Council's government income.

3 Cash and cash equivalents

During our review of bank reconciliation, we noted that some unreconciled bank transactions are due to duplicate entries amounting to €2,350 made on cheque payments. An audit adjustment was proposed to remove duplicate entries. The adjustment has been reflected in the audited financial statements.

We recommend that the Local Government should maintain an accurate monitoring of cheque payments to ensure that transactions are not recorded twice.

4 Trade and other payables

4.1 Debit balances in creditors' list

We have identified the following debit balances in the creditors' list amounting to €4,606.94:

Creditors	€
Miriam Buhagiar	1,999.58
Aaron Cordina	1,427.8
LESA	314.38
Arms Limited	289.61
Enemalta Corporation	233.10
Caroline Grech	135.71
Dylon Desira	100.00
Image Systems Ltd	66.10
Audio Visual Centre Ltd	20.99
Department of Information	10.00
Books Distributors Ltd	9.33
Others	0.34
	4,606.94

As per our review, we noted that the debit balance for Aaron Cordina is due to a payment recorded under this supplier however, the related expense invoice was recorded under Aaron Galea causing two open supplier balance in the Ageing Schedule.

We recommend that the Local Council should properly review negative supplier balances every year-end closing to ensure that payments to suppliers are properly recorded and to ensure that expenses are not recorded twice.

4.2 Long-outstanding creditors

The Local Council's creditors' list includes €31,555.26 balances which have been outstanding for more than one year.

We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

4.3 Creditor adjustment

Whilst reviewing the list of creditors, we noted that a creditor was paid for €6,000 was erroneously posted in the books as an expense again. We have reversed the entry and recorded the payment to reduce the creditor balance and the related expense.

5 Fixed assets

5.1 Incomplete relevant details in the fixed asset register

Whilst reviewing the fixed asset register, we noted that the relevant details such as its description pertain to its supplier name and not its desired detail. Therefore, these individual assets could not be traced from the register to the Local Councils' premises and locality.

We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:

- Description of the asset
- Acquisition date
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation rate
- Location of the asset
- Grants received

A detailed fixed asset register enables the Local Council to exercise proper control over its capital assets.

5.2 Depreciation

Based on our recalculation of depreciation testing we noted differences on the recorded depreciation on the following fixed asset group.

	Per Audit	Per Books	Adjustment
Urban Improvement	7,662.09	8,456.09	794.00
Office and Computer equipment	2,621.69	4,226.84	1,605.15
TOTAL	10,283.78	12,682.93	2,399.15

The adjustment has been reflected in the audited financial statements.

5.3 Grants in fixed asset register

As discussed above, we noted that the fixed asset register does not present the grants received or are not separately identified. To property record the accrued income, deferred income and the grant income related to fixed assets we have proposed the following entry:

Account Number	Account Description	Debit	Credit
15	Other Govt. Income	20,248.56	
251	Accrued Income	13,663.42	
4103	Deferred Income		5,470.92
80902	Grants Special Need Urban Improvements		26,790.68
8091	Grant - Urban Greening (Trees)		1,650.38

We recommend the council to correctly include in its fixed asset register the assets related to grants and identify each asset. Furthermore, grants in the fixed asset register should agree to the financial statements.

6 Payroll

We noted that the 2024 approved bonus for the Executive Secretary was not accrued as at year-end. An audit adjustment was proposed in this regard to recognise accrued bonus of €4,806.45 under the appropriate line item. The adjustment has been reflected in the audited financial statements.

We recommend that the Local Council maintains a checklist of year-end accruals to ensure that all liabilities and expenses are recorded during year-end closing. This will allow for more accurate presentation of balances in the financial statements.

7 Lease payments

We noted that lease payments during the year were recognised directly by the Local Council as rent expense and library expense amounting to €3,000. An audit adjustment was proposed in this regard to properly recognise movement in the Lease liabilities. The adjustment has been reflected in the audited financial statements.

We recommend that the Local Council ensures that lease payments related to right-of-use asset are properly recorded in line with IFRS 16. Greater attention should be given to book-keeping function to ensure that the annual financial statements do give a true and fair view of the Local Council's results and statement of affairs.

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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 Local 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 also like to take this opportunity to thank Mr. Ranier Busuttil and his staff for their cooperation and assistance during the course of the audit.

Yours faithfully,

Grant Thornton