



# KUNSILL LOKALI BIRŻEBBUĠA

Dar Birżebbuġa, Triq Santa Marija, Birżebbuġa. BBG1651.

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KLB/em/23/06/07

The Auditor General  
National Audit Office  
Notre Dame Revelin  
Floriana

20th June 2023

## Reply to the Management Letter Financial Statements for the year ended 31 December 2022

### 1. *Previous Management Letter*

#### 1.1 Deferred Income

Refer to comments in 6.1 & 6.2

#### 1.2 Depreciation of fixed assets

Refer to comments in 2.1 – 2.3

#### 1.3 Long outstanding receivables

Refer to comments in 3.1 & 3.2

#### 1.4 Zurrieq Joint Committee

Refer to comments in 3.3 – 3.6

#### 1.6 Long Outstanding creditors

Refer to comments in 5.1- 5.3

#### 1.8 Final withholding tax

Refer to comments in 4.1

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Segretarju Eżekuttiv: **Jordy Brincat**



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## 2 Fixed Assets

Depreciation Refer to 1.2 page 1

**2.1 – 2.3** The Council calculates the depreciation of property, plant and equipment on a monthly basis according to its accounting policies, through the fixed assets module of its accounting software. With respect to government grants received the council uses the capital approach as stipulated by the IFRS. The request to return the government grant for the mentioned project was done more than twelve months after its capitalisation and hence it was not possible for the accounting software to re-calculate the depreciation on the amount of the returned grant. Hence depreciation was calculated from the date that the grants were returned.

## 3 Trade and other receivables

Long outstanding balances Refer to 1.3 on Page 1

**3.1 – 3.2** The Council will continue to make its utmost to chase debtors for recoverability of overdue receivables and is of the opinion that for the mentioned debtors there is no need for a provision for bad debts.

**3.3 – 3.6** Refer to 1.4 on Page 1

On Wednesday 15th February 2023, during Local Council's Meeting No. 61, the Birzebbuga Local Council presided by the Mayor Scott Camilleri unanimously objected to the resolution being proposed by the members of the Zurrieq Joint Committee.

The Local Council of Birzebbuga cannot agree with the proposed resolution to divide the dormant funds equally between the Local Councils and urged the board members of the Zurrieq Joint Committee to address the issue of the outstanding amount owed to The Birzebbuga Local Council before any further distribution of funds. In the meantime, should the board members agree to the resolution without resolving the outstanding issue, the Council of Birzebbuga requested the Department for Local Government to put the case in front of an arbitration board and conduct an internal audit of the committee.

On 26<sup>th</sup> April 2023, The Birzebbuga Local Council expressed its formal position with The Department for Local Government regarding the resolution proposed by the Zurrieq Joint Committee to divide equally the amount of Euro 43,134 that is currently dormant at the Bank of Valletta plc - Zurrieq Branch.

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The reply from The Department for Local Government was discussed during the Council's Meeting No. 65 held on 29<sup>th</sup> May 2023. Such reply still states that funds currently withheld by the Bank of Valletta are to be divided equally amongst the members of the mentioned committee. As agreed by the majority of the Zurrieq Joint Committee members during the last meeting, the Finance and Procurement Compliance Directorate will proceed with the procedure involved in closing the Committee bank account in the manner and apportionment agreed in the same meeting, however should Birzebbuga Local Council not agree to this way forward, the same Local Council is to put the case in front of the arbitration board. Should a case be opened, it is being requested that the Finance and Procurement Compliance Directorate is kept in the loop. Finally The Executive Secretary of the South Region shall be putting forward this issue in their next Council Meeting while The Birzebbuga Local Council shall also be discussing the matter with its Lawyer.

## Confirmation of debtor

**3.7** The Birzebbuga Local Council regretfully cannot account for late inputting/bookkeeping by our Debtors.

**3.8** The Birzebbuga Local Council have noted your recommendation.

## Pre-regional LES Debtors

**3.9- 3.10** The Birzebbuga Local Council will take the auditors' recommendation.

## 4 Bank and Cash

### *Final Withholding Tax refer to 1.8 on Page 1*

**4.1 – 4.2** As recommended by our Auditors, The Birzebbuga Local Council being exempt from withholding tax on interest received, has informed the Bank Of Valletta plc that, during Council Meeting No. 62 (62.14.01) held on 21<sup>st</sup> March 2023, it was agreed that this account should be declared as to NOT withhold TAX; this was minuted accordingly.

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## 5 *Trade and other payables* *Long outstanding creditors*

### 5.1 Refer to 1.6 on Page 1

With regards to the outstanding balance of Euro 232.94 due to Lands Authority, please note that we had been instructed by e-mail dd 22/09/22 by The Lands Authority, not to proceed with payment until we hear from The Lands Authority themselves. Council to follow up on this instruction.

With regards to the outstanding balance of Euro 8485.24 due to Zurrieq Joint Committee for LES; The Department for Local Government to process an overview on this matter.

With regards to Alfred Schembri & Sons, issue is not yet legally resolved.

5.2- 5.3 The Council will take the auditors' recommendation.

5.4 The Council agreed with the adjustment and reflected the reclassification in its audited financial statements.

## 6. *Deferred Income Refer to 1.1 on Page 1*

6.1 – 6.2 In spite of various attempts, The Birzebbuga Local Council was unable to submit the requested documentation and information to The Local Government Division. The fact that this project has had various handovers from one Executive Secretary to the next, made it far more difficult to implement and move forward, Hence, The Birzebbuga Local Council has informed The Local Government Division with its decision to withdraw from this long overdue project. The Local Government Division informed the Council that the sum of Eur 30,000.00 has to be refunded back by 7<sup>th</sup> July 2023 (Refer to 1.1 on Page 1)

Mr. Scott Camilleri  
Mayor

Mr. Jordy Brincat  
Executive Secretary