



**Kunsill Lokali
Iż-Żebbuġ - Għawdex**

Triq il-Knisja, Żebbuġ ZBB1200, Għawdex
Tel: 2156 3056 / 2756 3056 • Fax: 2156 3322
E-mail: zebbug.gozo.lc@gov.mt

Local Government Auditor
Mr Conrad Borg
RSM Malta – Certified Public Accountants
Mdina Street,
Zebbug, ZBG 9015,
Malta

21st July 2020

RE: REPLY TO REPORT BY AUDITOR GENERAL FOR THE PERIOD ENDED 31 DECEMBER 2019

1.0 FOLLOW UP TO LAST YEAR'S REPORT

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. The Council will strive to continue to improve its operations during the coming year. It is important to note that the Council had a change in Executive Secretary and although a smooth hand over was undertaken, it is understandable that the new Executive Secretary experiences a Learning Curve on how to handle the matters of the Council. The administration of the Council is regularly being strengthened and fine-tuned.

2.0 PROPERTY, PLANT AND EQUIPMENT

It is positive to note that the FAR, the nominal ledger and the financial statements were in agreement.

The Council had a number of projects which were in their finalisation stage around the year end. To make things more complicated, these projects were financed by EU funds or by other sources funds other than those of the Council, which claims for payments were being finalised during the same time of the audit. Since the letter from the Architect was received in April and the issuance of certification is a time consuming exercise, it would be impossible to transfer

these assets from the Assets Not Yet Capitalised to the respective Fixed Asset Category, especially since without a Certificate, the Council will not have received confirmation of the cost of that respective project. Having said this, the Council will look into the matters raised by the auditor and update its workings accordingly. Any audit adjustments as discussed between the Council and the auditor were included in the updated financial statements.

3.0 CASH AND BANK

Matter about Final Withholding tax noted. One is to assume that this is the new bank account which was opened for the EU funds/Ministry for Gozo funds. Matter will be discussed with the bank to clarify the issue.

4.0 PAYABLES

The Council does its utmost to include all the accruals and creditors as at year end. Any audit adjustment as proposed by the auditors were included in the updated financial statements. The accrual for the Triq il-Ponta refers to the savings on Triq is-Saghtrija, for which funds were received in advance from Ministry for Gozo, which savings will be used to finance the works on Triq il-Ponta and thus the accrual is provided to account for the deferred income on the savings of Triq is-Saghtrija.

5.0 INCOME

Matter noted.

6.0 PERSONAL EMOLUMENTS

Comment about immaterial discrepancy of Eur21 noted and the Council will do its utmost that such discrepancies will not repeat in 2020. Its important to note that no discrepancy noted from the Inland Revenue Department when submitting the FS3s and FS7 in the Social Security Contributions and FSS payments. Thus, the Council believes that any discrepancy noted by the auditors was either an issue of misplaced FS5 or else already adjusted for during the Council's end of year payroll reconciliation. It is also to be noted that no discrepancy in the payroll reconciliation was found.

7.0 EXPENDITURE AND TENDERS

Noted. Unfortunately at times of urgency, it might be too bureaucratic to draw up purchase requests and thus the need for a purchase request and a purchase order overlap on each other.

It's the intention of the Local Council to always improve its performance by adhering to the Local Councils' Procedures.

The Council undertaken an extensive patching exercise in the locality and had also some pavements which needed to be rebuilt. Cost of information services increased since the Council is accounting for the cost of books sold but it is important to note that the revenue on these sales is included with the income. The tender for bulky refuse was issued but had to be cancelled two times since the bidders were once technically incompliant and the other was deemed as over budget

8.0 LIQUIDITY

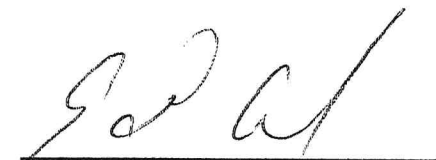
Comment noted. However, it is to be noted that the problem of liquidity came as a result of capital project and not current expenses. The Council will do its utmost to control the costs to improve its liquidity

9.0 FINANCIAL SITUATION INDICATOR

During the year under review, the Council had finished off a number of capital projects which had been pending for a number of years. These projects have put a financial strain on the finances of the Council and thus while understanding that the Council has dropped beneath the 10% FSI threshold, such drop is the result of a number of capital projects which have resulted into a better Zebbug locality. The Council has also reduced the deficit from 2018 to 2019 and although we acknowledge that the Council closed off with a deficit, the Council has started the road to recovery since the deficit of 2019 is less than that of 2018.

The Council is focusing its energy to control expenditure, both by compiling the annual budget and also by preparing quarterly reports with the necessary comparison between the budgets and the quarterly report.

The Council is striving to ensure that the financial situation indicator will improve in 2020



Nicky Saliba
Mayor



Neville Galea
Executive Secretary