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The Auditor General
National Audit Office
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Reply to the Management Letter for the Financial Year Ending 31st December 2023

1. Previous Management Letter

The matters in respect of previous year management letter will be tackled in detailed under their respective sections.

2. Liquidity position

The Local Council is aware that is not meeting the financial targets imposed by the Local Council Department and that it has a negative liquidity position of € 188,266 as at 31 December 2023. The Council had started to show surpluses in 2020 and 2021, however during 2022 the Local Council costs has increased substantially due to the waste management costs after the award of a new tender since the previous one has expired. Furthermore, in 2023 there was an increase by Wasteserv of its fees that has negatively effected all Local Councils and this continue to worsen the financial position of the Kalkara Local Council. The Council still retaliates that the Government Subvention allocated to the Local Council is low since it just covers the personnel costs and operations and maintenance costs of the Local Council leaving no leverage to the LC to implement its policies. In this respect the Local Council has requested additional funds to the Finance Minister and the Department of Local Government.

3. Opening Balances

The Local Council has adjusted the opening balances issues. This was brought by the coding system in the Sage accounting software whereby expenses accounts when not coded as expenses in the accounting system.

4. Revenue

The reclassification of the € 1,800 received from the DLG from other income to other Government income was effected in the financial statements.

5. Payroll

The Council will start to reclassify the employee bonuses from the standard salaries in its books of accounts.

In respect of the reclassification from councillors allowances to wages and salaries this was agreed and adjusted in the financial statements.

6. Expenditure

The Council will ensure that expenses are correctly recorded in the respective chart of accounts.

All the reclassifications proposed by the auditors has been accepted and adjusted in the financial statements.

7. Fixed Assets

7.1 to 7.2. The Council has given instructions to the accountants Parker Russell Turner to implement a plant asset registry in the Kalkara Local Council. Works on the FAR has started in 2021 and will be concluded in 2025. The issue is that the Council has several assets which were purchased long time ago and which are fully depreciated.

7.3 & 7.4. The Directive 1/2017 issued by the Local Government assumes that the Local has a fixed asset registry in place and that each asset bought was recorded. In view of the lack of a plant registry the Local Council could not work out the depreciation according to Directive 1/2017. In this respect the change to straight line method has been worked out based on the Fixed assets additions in the financial statements. This will be addressed when the fixed asset registry is complete.

7.5 & 7.6 The reclassification on the Project green grant has been accepted and amended in the financial statements.

8. Receivables

8.1 to 8.2 – The Local Council will adjust the amounts due from pending tribunal payments to agree to the Loqus system. The adjustment should not effect the retained earnings of the Local Council since there will be a reduction in income with a corresponding decrease in provision of bad debts.

8.3 & 8.4 – The Local Council will review the long outstanding debtors, reconcile and pass the relevant adjustments and provisions. In respect of Wasteserv Malta debtor balance, it is to be noted that Wasteserv Malta is also a creditor to the Local Council and the net balance is in favour of Wasteserv Malta.

8.5 to 8.7 - The Council will reconcile the Wasteserv balance and pass on the necessary adjustments.

8.8 to 8.9 – The Council will ensure that all accrued income is included in the financial statements and all information is provided to the accountants. The accrued income from previous years will be transferred to the income statement after getting the approval of the Council. The Local Council has accepted all the adjustments proposed by the auditors and are reflected in the financial statements.

10. Bank

The Local Council will enquire on BOV account 1605534023 and BOV 50010708054 as identified by the auditors. These account are not being used by the Local Council. It transpired that BOV

account 50010708054 needs to be retained since it is still being used for LES transactions while BOV account 16505534049 needs to be closed together with 1605534023.

11. Payables

10.1 & 10.2 - The Council will request creditors statements ongoingly during the year. The Council had in hand the main creditors statements as at 31 December 2023.


10.3. & 10.4 - The Council is aware of the long-term liabilities and of the liquidity problems. The Council is aware that the long outstanding creditors and confirms that there will take longer to be repaid in view of the tight budget. From the list, the major outstanding creditor is Saviour Mifsud (The past contractor on street sweeping and waste collection).

10.5 to 10.7 - The Local Council had always insisted with Pavia Hardware Store to provide invoices in time. The invoices pertaining to 2022, that were received in 2023, the Local Council had no other option than recording the invoices in 2023.

10.8 & 10.9 - The Local Council will reconcile the ARMS balance and identify the difference of € 314.68.

10.10 & 10.11 – The Local Council will start payments to Saviour Mifsud on invoices and will stop paying such creditor on account.

10.12 & 10.14 - In respect of the Executive Secretary performance bonus, when the accounts were prepared the LC did not have the approval from the DLG of the performance bonus. As stated by the auditors, an adjustment done and corrected in the final set of the financial statements. The Local Council will ensure that all information is given to the accountants for the calculation of accruals.



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Kalkara Local Council



Etienne Scicluna
Executive Secretary
Kalkara Local Council

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