

The Mayor  
Balzan Local Council  
7/9, Dun Spir Sammut Street  
Hal Balzan

**Kunsill Lokali:  
Hal-Balzan**

10 MAY 2025

**RECEIVED**

Our ref: MB/mf/110525

DATE: 15 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 Balzan Local Council (the "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 Opening balances**

We have not noted any shortcomings in the opening balances this year.

##### **1.2 Trade and other receivables**

We have identified discrepancies between the debtor balances of North Region Committee and WasteServ. We have proposed the necessary adjustments to correct the debtor balances based on the confirmation replies received and the discrepancies have been written off and adjusted.

##### **1.3 Fixed assets**

We have again noted shortcomings in the upkeep of the fixed asset register (refer to note 2.1) and the reconciliations of financial statements and fixed asset register (refer to note 2.2).

##### **1.4 LES Receivables**

We again noted a difference between the LES receivables account and the report 622 issued from Loqus (refer to note 4).

**REGISTRY**

- 6 MAY 2025

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### 1.5 Retention money held

The deposit of €232.94 is charged for the building permit which is refunded to customers when the permit expires. The balance accumulates since 2005 which amounted to €13,323.89 in 2023. In 2023, the local council has started refunding these deposits. In 2024, a total of €12,392 have been refunded with a remaining balance of €931.89 still to be refunded as at 31 December 2024.

### 1.6 Trade and other payables

We did not note differences in the amount per alternative procedures performed for the samples selected.

### 1.7 Preparation of financial statements

We are pleased to note that the financial statements prepared by the Local Council this year is in conformity with International Financial Reporting Standards.

## 2 Fixed assets

### 2.1 Upkeep of fixed asset register

When reviewing the fixed asset register, we noted that relevant details like invoice number, location and depreciation for the year are missing. Furthermore, the description of the assets in the FAR does not always contain the desired detail.

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

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation method and rate
- Location of the asset
- Grants received

An updated fixed asset register enables the council to exercise proper control over the council's property, plant, and equipment. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is updated.

## 2.2 Reconciliation of financial statements and fixed asset register

As discussed above, since the fixed asset register does not present the grants received, we noted the following discrepancies. While the difference is merely a matter of reclassification, we recommend that the council present the grant amounts in the fixed asset register for monitoring.

	Per Financial Statement	Per Fixed Asset Register	Difference
<b>Motor Vehicles</b>			
Cost	72,010	72,010	-
Grants	26,410	-	(26,410)
Accumulated depreciation	30,727	57,137	26,410
<b>Net book value</b>	<b>14,873</b>	<b>14,873</b>	-
<b>Construction works</b>			
Cost	697,003	697,003	-
Grants	25,551	-	(25,551)
Accumulated depreciation	661,476	687,027	25,551
<b>Net book value</b>	<b>9,976</b>	<b>9,976</b>	-

## 3 Inventory

As at 31 December 2024, there was an adjustment of stock amounting of €4,008.6 due to books found during the stock take performed 2021 (count sheets was only received by the accountant in 2024), which were purchased in the previous years. The amount was incorrectly classified to general income. Reclassification entries were proposed to reclassify the amount to an expense account instead of an income account.

## 4 LES Receivables

According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is €42,724.61. Similar to last year, no amount is recognised as an LES receivable in the council's books of account and in the financial statements in this respect. We did not propose an audit adjustment to account for LES debtors since it has no effect on the financial statements as LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

We reiterate our recommendation that the council takes the matter up with Loqus to determine what the correct balance is and then considers whether an adjustment should be passed in the council's books.

## 5 Deferred income

We have noted a deferred income of €5,770, which was recorded in 2023 for an event that will occur in February 2024. As at 31 December 2024, this amount should have been recognised as part of income but was still recorded in the deferred income account. Adjusting entries were proposed to recognise the revenue earned relating to this event.

## 6 Specimen chart of accounts

It was noted that the account numbers in the trial balances do not agree to the specimen chart of accounts that is standard to local councils and regional committees.

We recommend that the chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will enhance comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.

## 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 Association. 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 Ms Doriette Farrugia and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



**Mark Bugeja**  
Principal