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Director of Audit
National Audit Office
Notre Dame Revelin
Floriana FRN 1601

16th June 2026

Ref: LLC/June 01/26

Dear Sir,

REPLY TO MANAGEMENT LETTER DATED 26th May 2026 FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2025

Reference is made to the Auditor's Management Letter dated 26th May 2026, which was received at the Council by post on 05th of June 2026. In terms of Section P2.06P (d.02) of the Local Councils (Audit) Procedures 2006, on behalf of the Lija Local Council, we are presenting herewith the following comments on the points raised.

The Management Letter was brought before the Council for discussion during Council Meeting number 27 which was held on the 16th of June 2026. Consequently, the following comments were discussed and approved accordingly.

1. Previous management letter

The Local Council has noted the comments in relation to the previous management letter. While our below replies also apply to points 1.1 to 1.5, we plan that the shortcomings reported during the audit process in relation to the year ended 31.12.2025 are eliminated during 2026.

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2. Fixed asset register

A fixed asset register has been fully compiled in accordance with the Local Councils (Financial) Procedures 1996, showing all individual purchases, associated grants and annual depreciation charge. While the intention was to integare the Fixed Asset Register on the Council's Sage software, it has been noted that the function does not cater for grants received, in which any grants pertaining to a specific asset would need to be reflected as a reduction in the asset's cost. This will lead to misleading information. Hence, the Fixed Asset Register will remain on excel version.

During the audit, an accounting reclassification was also identified whereby depreciation relating to property assets had been incorrectly recorded as an impairment/amortization charge. An adjustment was therefore processed to debit Depreciation Expense – Property and credit Impairment Charge, ensuring that depreciation expenses are correctly classified in the financial records and presented in accordance with the nature of the underlying assets.

3. Trade and other receivables

We have noted the auditor's proposed adjustments, and these were correctly incorporated in the audited financial statements.

Adjustments were made to align the balance of amounts receivable from the Local Enforcement System (LES) with the supporting records. In addition, the provision for doubtful debts was revised to reflect the assessment of recoverability of outstanding amounts due from Wasteserv, ensuring that receivables are reported on a prudent and realistic basis.

The audit review identified amounts within prepayments that related to the current financial year and should have been recognized as expenditure. The necessary adjustment was made to ensure that costs are recorded in the correct accounting period. We will continue to strengthen our year-end review of prepayments to avoid similar occurrences.

4. Expenditure

A transaction was identified during the audit which had been recorded as expenditure rather than being correctly classified as a deposit. This has been corrected in the financial statements, and we will ensure that such payments are appropriately reviewed to determine their correct accounting treatment.

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During the audit, it was noted that certain invoices had been recorded more than once within the accounting system. The duplication was corrected through the relevant adjustments, and we will reinforce internal checks to prevent recurrence of such posting errors.

Certain expenditure relating to the maintenance of public gardens had been incorrectly classified under general contractual services. The classification has been corrected to reflect the nature of the costs more appropriately, and we will continue to improve the consistency of expenditure coding across departments.

5. Revenue

An income item received from Government was found to have been incorrectly classified within the accounting records. This was reallocated to the appropriate income heading to ensure accurate presentation of government-related income in the financial statements.

6. Cash

We have noted all of the auditor's proposed adjustments and these were correctly incorporated in the audited financial statements. We will ensure to inform the accountant of any cancelled cheques in good time.

The audit also highlighted the need to recognize a liability that had not been correctly reflected in the accounting records. The necessary correction was made through an adjustment between the HSBC Current Account and Other Payables balances, thereby ensuring that the Council's cash position and outstanding obligations are fairly presented in the financial statements.

7. Financial statements

The accountant has noted the auditor's comments and will ensure that the recommended classification of expenses and income is applied consistently to enahnce the comparability of financial statements with previous years.

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Conclusion

As a follow-up, the Council will seek to address all the issues raised in this year's management letter and any points still pending from the previous one. During the coming year, the Local Council will strive to further strengthen and improve its operations, controls and accounting records.

Thank you and best regards,

Anthony Dalli
Mayor

Pamela Seguna
Executive Secretary