

Grant Thornton Malta

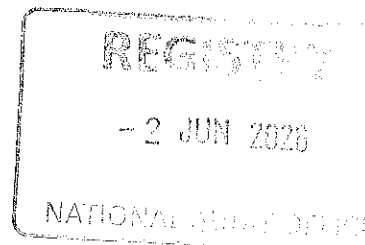
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The Mayor
Marsa Local Council
Pont San Tumas
Marsa
Malta

Our ref: AB/dc/147726

19 May 2026

Dear Sir,



Financial statements for the year ended 31 December 2025

During the course of our audit for the year ended 31 December 2025, we have reviewed the accounting system and procedures operated by Marsa 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 In 2024, we recommended that the council take the matter up with Loqus concerning its LES receivables. This is to determine what the correct balance is and then consider whether an adjustment should be passed in the council's books. We again noted that the council has still not communicated with Loqus – see point 2
- 1.2 In 2024, the council received invoices for waste rejects from the South Region pertaining to year 2023 and 2024, for which no supporting document was provided. During the year under review, no supporting document was provided – see point 3.1
- 1.3 In 2024, the audit team noted a variance per FS5 and FS7 filed by the council. The council has rectified this issue during the year under review.

2 Receivables

LES Receivables

- 2.1 According to report 622 issued from Loqus, the council's tribunal payments for the pooling period from 31 August 2011 is €86,264.85. No amount is recognised as an LES receivable in the council's books of account and in the financial statements.
- 2.2 We recommend 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.

3 Payables

Charges made by Region

- 3.1 During 2024, the council received two invoices for waste rejects from the South Region pertaining to years ending 2023 and 2024. We also noted that the Region informed the council to not record such invoices prior to further communication from their end. Subsequently, the region issued a credit note for the 2024 recharges since such reimbursement was received by them from the Department for Local Government. Upon reviewing the payable balance to the region, we noted that the council has recorded €9,823.44 for the 2023 waste rejects for which no supporting agreement or circular was issued by the department.
- 3.2 We recommend the council to liaise with the Department for Local Government on the accounting treatment for waste rejects. Furthermore, the council should ensure that guidelines are issued outlining the basis for the recharges being used across councils.

Liability to Wasteserv Malta Ltd.

- 3.3 During 2025, the Council reported a payable balance of €63,729.95 due to Wasteserv Malta Ltd. This balance relates to waste disposal charges which have been formally disputed by the Council. Legal correspondence issued on behalf of the Council confirms that the invoiced amount is not supported by the applicable permits and contractual arrangements, and that the Council does not accept liability for the disputed charges. Consequently, the payable remains contested as at year-end.
- 3.4 We recommend the council to liaise with the Department for Local Government where necessary, to obtain clarity on the accounting treatment and contractual basis of such charges, the council should ensure that guidelines are issued outlining the basis for the recharges being used across councils.

Confirmation of trade payables

- 3.5 No confirmation replies were received for supplier balance totalling €27,172. During the course of performing alternative audit procedures, we requested proof of subsequent payment, supporting invoices or creditor statements to substantiate the outstanding payable balances. The Council was unable to provide such requested information. As a result, sufficient appropriate audit evidence could not be obtained to support the accuracy and completeness of the payable balance at year-end. Accordingly, our audit opinion is qualified.
- 3.6 We recommend that the Council strengthens its documentation retention, invoice tracking, and reconciliation processes to ensure that all payable balances can be adequately supported and reconciled to underlying source documentation on a timely basis.



Accruals

- 3.7 We noted over accrual in the amount of accrued expense for the manure expense amounting to €12,624.93. We have received explanation after the financial statements were approved that a total of €5,652.20 pertains to invoices not provided to us. There is still an unaccounted amount of €6,972.73.
- 3.8 We recommend that the Council review strengthen its monitoring of accruals by incorporating more accurate supporting data and performing post year-end review.

4 Fixed assets

Upkeep of fixed asset register

- 4.1 We have noted that the fixed asset register does not contain complete details such as reference numbers, invoice numbers, suppliers' details or location of recent purchased assets for the additions during the year.
- 4.2 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 rate
 - Location of the asset
- 4.3 An updated fixed asset register enables the Council to exercise proper control over the Local 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 Local Council's fixed asset register is updated.

5 Accrued Income

- 5.1 Following discussions with the Directorate for Local Government (DLG) and the Council in relation to the EU-funded Day Centre Project, management was informed that irregularities were identified during project verification, resulting in the imposition of a penalty and the non-disbursement of €8,955. Accordingly, the grant amount previously accrued is not recoverable and should be reversed. The Council reflected this adjustment in the audited financial statements.
- 5.2 Management should process the required adjustment in a timely manner and ensure the accounting treatment applied is appropriate and adequately documented in accordance with the applicable financial reporting framework.

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 Local Council. 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 Mr Robert Buhagiar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

