

Our Ref: NAO 107/2021/39

Your Ref:

4 July 2025

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7 JUL 2025

MOSTA  
LOCAL COUNCIL

The Mayor and Executive Secretary  
Mosta Local Council  
Mosta

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2024**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2024.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



**T. Mercieca**  
**Asst. Auditor General**

Encls.

The Mayor  
Mosta Local Council  
Centru Civiku  
Triq Il-Kostituzzjoni  
Mosta MST 9059

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Our ref: MB/mf/125425

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**7 JUL 2025**

24 June 2025

**MOSTA  
LOCAL COUNCIL**

Dear Sir,

**Financial statements for the year ended 31 December 2024**

During the course of our audit, we have reviewed the accounting system and procedures operated by Mosta Local Council (the "Council"). We set out in this report the important points that arose as a result of our review.

**1 Previous management letter**

**1.1 Income from Joint Committee**

We again noted that the issue of the joint committee was not resolved during the year (refer to note 2.1).

**1.2 Other Government income**

We again noted instances of income not being recorded in the appropriate account (refer to note 2.4).

**1.3 IFRS 16 'Leases' assessment**

We again noted that the council failed to assess and account for leases in accordance with IFRS 16 (refer to note 3.1).

**1.4 Upkeep of fixed asset register**

The council again failed to update the fixed asset register (refer to note 4.1).



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### **1.5 Additions to fixed assets and grants**

We have again noted a number of shortcomings in fixed assets additions (refer to note 4.4).

### **1.6 Slow moving stock**

During the year, we noted that the council's inventory is slow moving (refer to note 5.1).

### **1.7 Overdue trade receivables**

We have again noted long outstanding receivables in the books of account (refer to note 6.1).

### **1.8 Credit balances in debtor's list**

We again noted a debtor with credit balance in aging report provided (refer to note 6.3).

### **1.9 Other creditors**

The council again failed to resolve the issue of other creditors balances (refer to notes 7.1 and 7.9).

### **1.10 Refundable deposits**

The council again failed to resolve the issue of the refundable deposits (refer to notes 7.5).

### **1.11 Accrued income**

We noted issues in accrued income account (refer to note 8).

### **1.12 Presentation of financial statements**

We did not note any shortcomings in the presentation of financial statements.

## **2 Income**

### **Joint committee**

**2.1** We noted that the North Joint Committee, of which Mosta Local Council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2009.

**2.2** The reserves of the committee at that date amount to €1.6 million. In the absence of audited financial statements for 2011, we were unable to determine whether the council is

entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.

- 2.3 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

#### **Other Government income**

- 2.4 The Council normally receives advanced payments from Department of Local Government to subsidize the salary of a personnel that is under a Community Inclusive Employment Scheme (CIES). The advanced payment is recorded as part of deferred income.

During 2024, the Council credited the debtors control account instead of recognising deferred income. An adjustment was made to reflect the amount to the proper account. **(AJE 1 and 2)**

- 2.5 The council should ensure that transactions are properly allocated to the correct account. Furthermore, the council should ensure that the trial balance is agreeing to the financial statements.

### **3 Expenditure**

#### **IFRS 16 'Leases' assessment**

- 3.1 Whilst performing our audit procedures we noted that the council recorded rent expense amounting to €44,939 in the books of account in relation to five properties leased by the council. The council did not assess IFRS 16 for the rentals since the rental agreements for the contracts have already expired and the council did not enter into a renewal agreement to determine the number of years the properties will be rented.
- 3.2 We recommend that the council enters into renewal agreements with the lessors and assess IFRS 16. In accordance with the new standard, at lease commencement date, the council should recognise a right-of-use asset and a lease liability on the balance sheet.

### **4 Fixed assets**

#### **Fixed asset register**

- 4.1 During our audit fieldwork we were not presented with a fixed asset register. In our previous management letter we had noted that during the transition of directive 1/2017 the council had a number of shortcomings in the fixed asset register which were not addressed.

- 4.2 During the audit, no fixed asset register were presented. The audit team used the nominal ledger to trace the additions and disposals. Depreciation was computed using the depreciation percentage of the 2024 year -end net book value.
- 4.3 We suggest that the council prepare its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation and hence the correct net book value.

#### **Additions to fixed assets and grants**

- 4.4 Whilst reviewing the fixed asset schedule we noted that a prior year adjustment related to the grants was incorrectly included in special programmes grant instead of recording the grant as part of urban improvement grants amounting to €15,336. We have proposed again the audit adjustment to rectify the issue. The adjustment was correctly included in the audited financial statements. **(AJE 3)**

### **5 Stock**

#### **Net realisable value of inventory**

- 5.1 During the year we noted that the council's inventory is slow moving.
- 5.2 The council should assess whether the books are being carried at the lower of cost and net realisable value in the financial statements in accordance with International Financial Reporting Standards. Write-offs or provisioning of inventories might be necessary if the books remain slow-moving or have no realisable value.

### **6 Trade and other receivables**

#### **Overdue receivables**

- 6.1 The Council reported a provision for bad debt amounting to €12,289.79 as at 31 December 2024 for the trade receivables out. However, as per aged debtors' analysis, the long aged accounts follows:

Debtors	€
LESA	4,344.47
Ministeru tas-Sahha, l-Anzjani u l-Kura	4,527.87
Transport Malta	3,107.74
Shaun Theuma Marshall	2,666.04
WATER SERVICES CORPORATION	1,745.00
PARROCCA MOSTA	540.00
Grace International	480.00
Owen Galea	469.64
Body Mind Soul Holistic Centre	300.00
Aisha	298.57

Magical Moments	290.50
Mario Borg	280.00
Primary Health Care	215.61
Executive Services Limited	168.50
Partit Nazzjonalista	167.96
Rines Vending Machines	166.66
Go	155.00
Ace English Malta	140.00
Ezy Fit Ltd.	140.00
Joseph Borg	116.47
Partit Laburista	100.00
Other debtors	438.44
<b>Total</b>	<b>20,858.47</b>
Provision per books	(12,289.79)
<b>Under provision</b>	<b>€8,568.68</b>

**6.2** We proposed an adjustment to record additional provision of €8,568.68. The audit team reiterated that although a provision has been made, the council should exert efforts and exhaust means to collect the long overdue amounts **(AJE 12)**.

**6.3** We noted an account with credit balance amounting to €11,691 which pertains to Department of Local Government (DLG). DLG subsidizes a salary of a personnel working in the Council and usually pays in advance. An adjusting entry was made to correct the recording.

The accountant and executive secretary should perform a thorough review and verification of transactions to ensure the proper recording in the books of the Council.

## **7 Other payables**

### **Other creditors**

**7.1** Included with other creditors is a balance of €13,370 with respect to 'rent due to Lands Department'. This balance is carried forward from previous years. The council failed to provide us with supporting documentation. This is one of the bases of the qualification of our audit report.

**7.2** We noted that other creditors also include a balance of €2,285 with respect to 'other creditors – library'. The council informed us that it collects income on behalf of the library for photocopying services. The income is recorded in the council's books of account and included with other creditors. The income is then used to cover expenses in connection with library such as printer toner etc.

- 7.3 We noted an account 'Suspense Account – Entities' used a temporary repository account. The balance has no movement since prior years.
- 7.4 We recommend to the Council to review the transactions and revisit the terms and conditions of the above-mentioned balances to determine whether to settle the balance or, if not due, reverse this after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.

### **Refundable deposits**

- 7.5 During audit, we noted that the council collects deposits for permits of construction works carried out in the locality of Mosta. The deposits are refunded if the council obtains assurance that the sites were left in a good condition after all works have been carried out.
- 7.6 The books of account include an amount of €55,509 in relation to refundable deposits as at period end. The deposits vary from 2007 to 2024. The council also informed us that the permit deposits are deposited in two separate bank account (one savings and one current). As at 31 December 2024 the council had €10,903 in its bank accounts resulted to the difference of €44,606.
- 7.7 The council should review this balance and reconcile all differences noted above. Furthermore, the council should seek legal advice to check if these deposits are time-barred and in that case recognise them in income accordingly.
- 7.8 Furthermore, the council reviews these amounts to determine whether to settle or reverse them after the appropriate approval. The decisions and discussions on this should be properly documented in the minutes during the council meeting/s.

### **Other creditors – Lands Department and LESA**

- 7.9 During the year under review we noted that included with 'other creditors' is an amount of €70,390 pertaining to a suspense account for the balances due to LESA and Lands Department for the amounts not yet paid to these entities. The council informed us that the account is being used to input all bank deposits made pertaining to LESA and Lands Department and then effect payments to them from the same account. The council failed to keep a list of payments received and made during the year. To this end the council could not identify which payments are still due to LESA and Lands and no supporting documentation was provided to us for the above amount. This is one of the bases of the qualification of our audit report.

We strongly recommend to the council to prepare a detailed list with all receipts made by residents to the Council, deposits made in bank account and transfer to LESA and Lands Department.

## **8 Accrued Income**

- 8.1** We noted a reported balance of €216,801 which pertains for the project on 'refurbishment of Gnieu Gorg Grognet de Vasse'. The same balance from previous year. The status of the project was already completed; however, the amount is still receivable as of audit date.

We propose to the Council to exert efforts to collect the amount from the planning authority.

- 8.2** We noted a project for financial scheme for more organised and safe communities amounting to €2,400 which was still included in accrued income though the balance was already received. An adjustment was passed to correct the balance.

We recommend to the Council to perform thorough review and verification of transactions before and posting in the books.

## 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 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. Joseph Gatt and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

