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

Our ref: HB/mc/153126

16 June 2026

Dear Sir,

Financial statements for the year ended 31 December 2025

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 to 2.3).

1.2 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).

1.3 Upkeep of fixed asset register

The council again failed to update the fixed asset register (refer to note 4.1 to 4.3)

1.4 Slow moving stock

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

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1.5 **Overdue trade receivables**

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

1.6 **Other creditors**

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

1.7 **Refundable deposits**

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

1.8 **Accrued income**

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

1.9 **Deferred income**

We noted issues in deferred income account (refer to note 9).

1.10 **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 We noted that the council has recorded a receipt of previous year accrued income amounting to 5,000 as debit to cash and credit to **other government income** account. We understand that this was already recognized as income in the prior year, hence, receipts of the accrued income should be adjusted to accrued income correspondingly. Hence, we proposed to reverse the double recording pertaining to **Skema ta' Ghajnuna ghal tizjin tal-Milied fil-Lokalita 2024.** **(AJE 3)**

2.5 We noted that the council has received an amount of € 30,000 as funding for Funding for cultural activities in public spaces which is in excess for the amount of the agreement with the Ministry for the National Heritage, the Arts and Local Government. The council should obtain supporting documentation to justify the excess funding received above the approved amount. In the absence of such evidence, the excess amount should be appropriately assessed as to its nature, whether it constitutes additional income to the council.

Rent Receivable

2.6 We noted that the council has recorded the receipt of prior year accrued rent pertaining to **Active Ageing rent 2024** amounting to 4,500 as income during the year. We understand that this was already recognized as income in the prior year, hence, receipts of the accrued rent receivable should be adjusted to accrued income correspondingly. Hence, we proposed to reverse the double recording pertaining to Active Ageing rent 2024. **(AJE 3)**.

2.7 We noted that the Local Council has recorded rent receivable for the amount of 13,447 during the year. Per our checking, this should only be 7,282.96. Hence, we noted a difference of 6,163.75, which is partly composed of 4,500 as discussed in 2.6 above. Moreover, we noted that the further difference pertains to the LESA fee which was recorded again as income upon receipt of payment during 2025. **(AJE 3)**

Contraventions

2.8 We noted that the council has recorded accrued income in the prior year for the income from administration of LESA CCTVs 2024 under contraventions for the amount of 8,554.46 and LCA dec 24 for the amount of 44.29. Moreover, we noted that these amounts were already received as of 2025 for the amount of 8,954.46 and 44.29, respectively. However, we noted that the receipt of these amounts were recorded as income during the year. Hence, we proposed to reverse the double recording pertaining to the amount accrued in the prior year and recognize only the excess amount of 400 as income in 2025. **(AJE 3)**

3 Expenditure

IFRS 16 *'Leases'* assessment

3.1 Whilst performing our audit procedures we noted that the council recorded rent expense amounting to €40,858 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 recalculated using the applicable depreciation rates based on the 2025 year-end net book value, taking into account additions made during the year.

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.

Reversal of grants

4.4 Whilst reviewing the fixed asset schedule, we noted that a reversal related to the grants was overstated as the prior year grant amounts to only €211,900. We have proposed the audit adjustment to rectify the issue. The adjustment was correctly included in the audited financial statements. As at year end, the audit balance pertaining to grants urban improvements amount to 146,978. (RJE 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 €27,149.96 as at 31 December 2025 for the trade receivables out. However, as per aged debtors' analysis, the long aged accounts follows:

Debtors	**€**
Aisha	298.57
Ace English Malta	140.00
Department of Local Government	587.89
Ezy Fit Ltd.	140.00
Executive Services Limited	168.50
Joseph Borg	116.47
LESA	5,887.99
Ministeru tas-Sahha, l-Anzjani u l-Kura	4,527.87
Magical Moments	290.50
Mario Borg	280.00
Mosta Rotunda Foundation	284.23
Owen Galea	469.64
Pizze	70.00
PARROCCA MOSTA	540.00
Rines Vending Machines	166.66
Rita Fenech	52.00
South Eastern Region	3.47

SOCJETA PIROTEKNIKA 15 T'AWISSU	770.00
Shaun Theuma Marshall	2,666.04
Socjeta Filarmonika N Isourd	156.00
Socjeta Filarmonika Santa Marija	100.00
Transport Malta	3,107.74
WATER SERVICES CORPORATION	462.50
Other debtors - Alphonse Anastasi	6,290.96
Total	**27,577.03**
Provision per books	(27,149.96)
Under provision	**€427.07**

6.2 We proposed an adjustment to record additional provision of €427.07. 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 2).**

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 nil in relation to refundable deposits as at period end. The deposits vary from 2007 to 2025. 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 2025 the council had €9,493 in its bank accounts resulted to the difference of €9,493.

Moreover, included in government income is a write-off amounting to €52,691.32, which, based on inquiry, relates to refundable deposits forfeited by the Council due to non-claim by the respective guarantors. The Council confirmed that final notices were issued granting guarantors the opportunity to present the original receipt and reclaim the deposits, failing which the amounts would be forfeited in favour of the Council. Although the write-off was approved during a Council meeting, no supporting documentation was provided to substantiate the total amount of €52,691.32.

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, an amount of €28,991 included within 'other creditors' relates to a suspense account for balances due to LESA and the Lands Department. The Council collected €186,532 in fines and penalties on behalf of these entities and remitted €227,931.49 during the year.

The account is used to record public deposits and subsequent payments to LESA and the Lands Department. However, due to the high volume of transactions, the Council was unable to adequately monitor and reconcile amounts collected with liabilities. No comprehensive records of receipts, deposits, and payments were maintained, and supporting documentation was not provided. As a result, the accuracy of outstanding balances could not be determined. This matter constitutes one of the bases for the qualification of our audit opinion.

We recommend that the Council maintains a detailed reconciliation of all receipts, bank deposits, and payments to ensure proper monitoring of these balances.

7.10 We noted that the **€5,600** receivable relating to the North Region had already been written off in the prior year. However, this write-off was not reflected in the Local Council's trial balance during our opening balance testing. We noted further that the offsetting account pertains to the Local Council's payable account. Hence, an adjustment was passed to correct the receivable balance. **(AJE 4)**

8 Accrued Income

8.1 We noted a reported receivable balance of **€216,801** relating to the project *"Refurbishment of Ġnien Ġorġ Grognet de Vassé"*. Although the project has already been completed, the amount remains outstanding as at the audit date.

Furthermore, upon inquiry, no detailed substantiation was provided to support the balance or to explain how the receivable was determined. It was indicated that the balance has been carried forward from prior years.

This raises concerns regarding the recoverability, accuracy, and validity of the receivable balance.

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

8.2 We noted a reversal for project pjazza – IM recorded in the books for the amount of €234,901. We noted that this reversal is in excess of the previously accrued amount of 211,900. Hence, we proposed to correct the reversal pertaining to the excess of 23,002. **(AJE 3)**.

8.3 We noted that the council has reduced the accrued income for the following items that were accrued during 2024. However, we were not able to trace the receipt of the amounts.

Debtors	€
LESA 10% Administration Fee	1,855
Appetite Vending machine Sept-Dec average	1,081
Primary Health Care 6/9-31/12	303
Total	**3,239**

Per discussions with the council, the receipt for €1,855 could not be located. We also noted that the receipt relating to the appetite vending machine €747 was only obtained in February 2026, and no supporting receipt was available for the primary healthcare receivable to substantiate its derecognition. Accordingly, we consider it appropriate for the balance to be reversed and recognised as accrued income at year-end.

9 Deferred Income

9.1 During the year under audit, we noted that the following projects were still outstanding under the deferred income account. Based on the inquiry with the executive secretary, the funds were used by the previous administration to other projects; Refurbishment of road with printed concrete - Bufula Hamra amounting to €4,387 and Embellishment of road with printed concrete in Triq Charles J. Vassallo amounting to €21,844.

9.2 We recommend the council to properly account for the funds provided by the government and assess if these projects are still due for completion and report the status to the Department of Local Government.

10 Cash

10.1 During the year under audit, we noted a reconciling item in the Local Council's bank reconciliation amounting to €1,530. This entry was recorded on 1 January 2025; however, no supporting documentation was provided to confirm that the payment was authorised and processed. Accordingly, an adjustment was proposed to reverse the related cash and payable balances in the Council's books. **(AJE 1)**

11 Going Concern

11.1 During the year under audit, we noted that the Local Council is operating in an excessive deficit. We noted however, that the Local Council is operating in a net current asset position. In case of default in terms of settling it's obligations, the Local Council confirmed that the Government of Malta will honour the Local Council's debt.

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

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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 Mr. Jeremy Bartolo and their staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

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