KUNSILL LOKALI
MOSTA
LOCAL COUNCIL

21st July 2026

National Audit Office
Notre Dame Ravelin
Floriana
FRN 1600

Your Ref: MB/mf/12425

Dear Sir/Madam,

Re: Financial statement for the year ended 31 December 2025

We acknowledge receipt of your Management Letter dated 16th June 2026 in connection with the audit of the Council's financial records as at 31st December 2025. This was received at the Council's offices on 10th July 2026. We take this opportunity to thank Grant Thornton for the services rendered and for the cooperation extended to the Council during the audit process.

We have carefully reviewed the observations and recommendations raised in the Management Letter. The Council remains committed to strengthening internal controls and ensuring full compliance with the Local Councils Act, Financial Procedures, relevant Legal Notices, and circulars issued by the Department for Local Government.

We, the undersigned, Joseph Gatt and Jeremy Bartolo, Mayor and Executive Secretary respectively, continue to address the Council's shortcomings with the primary aim of ensuring alignment with the applicable laws, regulations, and best practices in local governance.

Below please find our responses to the issues highlighted in the Management Letter:

1. <u>Previous Management Letter</u>

The Council has addressed all matters which were mentioned in last year's management report, other than those which involve external entities, which are beyond its control. We will strive to continue to improve our controls to the best of our abilities.

2. <u>Income</u>

Joint Committee
In March 2023, a transfer of €2,827.02 was received in our bank account as full and final settlement related to the Joint Committee, thereby concluding the matter. In 2024, the Department for Local Government (DLG) informed the Local Council that an accountant had been engaged to prepare the outstanding financial statements.

Other Government Income
The Council recognises the mentioned corrections and has adjusted our accounts accordingly.

Rent receivable
The Council recognises the mentioned corrections and has adjusted our accounts accordingly.

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Contraventions
The Council recognises the mentioned corrections and has adjusted our accounts accordingly.

3. <u>Expenditure</u>

IFRS 16 'Lease' assessment
The Council has noted your comment but since the leases from the private industry are currently not covered by rental agreement, IFRS16 was deemed not applicable. Other leases from the government fall below the threshold

4. <u>Fixed Assets</u>

Fixed Asset Register
The Council is working on creating and updating our Fixed assets register; however, it is a sizeable task especially given the size of our locality and our limited resources. It is important to note that the Council is focusing on the new chart of accounts in 2026 and is currently working on acquiring a new accounting system which will be cloud based.

Additions to fixed assets and grants
The Council recognises the mentioned correction and has adjusted our accounts accordingly.

5. <u>Stock</u>

Net realisable value of inventory
The Council is selling the book at breakeven price; therefore, reducing the price further would result in a financial loss. The issue is not the pricing itself, but rather the fact that most information is now readily accessible online, and books can be easily purchased through various online platforms. At this stage, the Council has not yet taken a decision on whether to write off the remaining stock.

6. <u>Trade and other receivables</u>

Overdue receivables
The Council notes that there are cases of debtors which are to be deemed as non-recoverable for a variety of reasons, such as dissolution, death and other factors. The Council has prepared a list of debtors to be written off as bad debt which will be presented to the Council in the next Council meeting.

The Council recognises the adjustments and they were amended as suggested as well as reiteriterating its efforts to ensure the correct verifications, which adjustment to increase the provision of doubtful debts by Eur427.07

7. <u>Other payables</u>

Other creditors
As outlined in last year's response to the Management Letter, this item refers to funds payable to the Lands Department, recorded as an accounting entry related to funds discovered in the office of the former Executive Secretary, the late Mr. Alphonse Anastasi, in 2007. At the time, an internal investigation was conducted involving all staff members; however no documentation was available since it seems that the police had confiscated all documentation related to the case. Matter is currently being assessed to write off these balances payable and receivable on this case since court case have

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now been concluded. Matter was also discussed with DLG and we can conclude issue after their guidance.

The Council also notes the other points listed under point 7 and will take them into account accordingly.

Refundable deposits
The Council notes the necessary adjustments. Further to the point raised in point 7.6, the Council had obtained legal advice at the time from the Council's lawyer and all procedures were carried out in accordance with the legal advice provided at the time.

Other creditors – Land Department and LESA
The Council recognises the raised points and will ensure that the correct lists and trails are done accordingly.

8. Accrued Income

Unfortunately, the recovery of the funds on Gnien Gorg Grognet de Vasse is proving to be very difficult since it seems that there are a lot of pending operational matters which have are still pending approval/to be fine tuned from an operational point of view and thus, it would be impossible to collect the funds at this stage. The Council is still doing its utmost to conclude this situation and collect these funds.

9. Deferred Income

We can confirm that the mentioned projects were still outstanding and thus, we believe that accounting for the funds received on these projects as deferred income is correct

10. Cash

Suggested reclassification reflected in the updated financial statements.

11. Going concern

Comment noted. The Council has been continuously in contact with DLG about this matter and look forward to improve its liquidity position both in the short term and also in the long term.

Joseph Gatt
Mayor

Jeremy Bartolo
Executive Secretary

c.c DLG
c.c Grant Thornton
c.c NAO
c.c Compliance Unit – DLG