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Our ref MB/mf/97825

17 February 2025

Dear Sir,

Financial statements for the year ended 31 December 2024

During the course of our audit for the year ended 31 December 2024 we have reviewed the accounting system and procedures operated by your Committee. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Collections

We noted a recurring issue with reference to collections (refer to note 2.1).

1.2 Loqus system

The Committee's financial statements are partly dependant on the Loqus report. We were again not provided with the IT systems audit (refer to note 2.4).

1.3 Supplier statements

We again noted that the Committee did not obtain supplier statements from all suppliers as required by memos and circulars (refer to note 3.1).

1.4 Long outstanding trade creditors

We have again noted that the Committee has long outstanding balances with its creditors (refer to note 3.3).

1.5 Other creditors

We still noted shortcomings in other creditors (refer to note 3.5).

1.6 Leases

We are pleased to inform that the Committee was able to reconcile the accounting for leases which qualified to be accounted under IFRS 16.

1.7 **Trade debtors**

We are pleased to inform that the Committee was able to reconcile its accounting records against the outstanding balance with WasteServ.

1.8 **Intangible assets**

We are pleased to note that we did not identify issues on the council's intangible assets.

1.9 **Deferred income**

Granting of Funds Scheme by the Local Government Division

We have again noted that the Committee has not establish monitoring controls over the supporting documentation related to projects being reimbursed to local councils (refer to note 4.1).

Tarmac Initiative Fund

We have again noted that the Committee's reported Tarmac initiative fund has yet to be realised, and the balance remained outstanding since 2021 (refer to note 4.3).

Economic, Social and Cultural (ESC) Plan Fund

We have again noted that the Committee's reported ESC plan fund has yet to be realised, and the balance remained outstanding since 2015 (refer to note 4.5).

2 Local Enforcement System

Collections

2.1 During our audit procedures we noted that the regional Committee recorded a balance of €1,801,964 due from the Local Enforcement System in the financial statements. This shows a decrease of 4% when compared to prior year figures.

2.2 The Committee should make every effort to continue collecting adjudicated contraventions. We again recommend that the Committee sets up a proper system to collect unpaid contraventions as soon as possible.

2.3 As for paid contraventions, the Committee has to ensure that the LTD, LCA and local councils remit to the regional Committee all paid contraventions prior to 1 October 2015 on a timely basis. During the year, we identified a difference of €2,917 in Report 109 against the Committee's debtor account. We did not propose an audit adjustment to correct this discrepancy since the difference was not deemed to be material.

Loqus system

2.4 The Committee's financial statements are partly dependant on reports generated from the Loqus system. To date of the audit we were not provided with evidence that an IT system audit was performed of this system. Therefore we were not able to determine whether the information generated from the Loqus system is complete, accurate and free from material misstatement. Consequently, we could not verify without limitation the following amounts in the financial statements: receivables of €2,101 (net of a provision of €1,822,318). Due to this limitation, our audit report is qualified.

2.5 We reiterate our recommendation from the previous management letter stating that the Committee requests a copy of the independent auditor's report on the IT system of Loqus, which ideally must be carried out at least on an annual basis to determine its operating effectiveness and the integrity of the information emanating from the system. This would provide adequate and sufficient comfort to the Committee to use the Loqus system as a reliable basis for the books of account and preparation of financial statements.

3 Trade and other payables

Supplier statements

3.1 We again noted that the Committee did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department of Local Government specifically emphasise that the Committee should acquire monthly statements from all its suppliers.

3.2 We understand that the Committee does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the Committee keeps on chasing its suppliers for regular statements. This will ensure that the Committee's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Long outstanding trade creditors

3.3 While reviewing the Committee's aged suppliers' list we have again noted that the Committee has long overdue balances. These amount to €15,090.29 and have been carried forward from preceding accounting periods. The following are the creditors' balances that have been overdue for more than a year:

Creditor	In creditors' list €
Birgu Local Council	892.77
Valletta Local Council	14,197.52
Total	**15,090.29**

3.4 We advise the Committee to review all balances, and either settle or, if considered non-payable, reverse after careful consideration and approval by the Committee. Any decisions taken should be fully explained and minuted.

Other creditors

3.5 Whilst reviewing other creditors we noted that the Committee recorded €20,353.53 pertaining to LES receipts from unidentified deposits. The Committee does not know to which entities this money belongs. In the previous years, we noted that the Committee had discussed this issue with the Department stating that regions could not reconcile due to the introduction of the new system. To date the Committee has not resolved the issue and we were unable to identify to whom the monies are due.

3.6 We recommend that the Committee follows this up with DLG and asks for assistance in solving the issue mentioned above.

Accrued expenses

3.7 During our review of the Committee's accrued expenses, we noted that the summary of schemes allocated to its 11 local councils, with each council receiving €12,500, was overstated by €12,500. We proposed an adjustment to correct the over accrual of liability and local councils scheme expense, and these have been reflected in the financial statements.

3.8 We recommend that the Committee review and monitor the accrual schedule to prevent double recognition of fund schemes to ensure accurate financial reporting.

4 Deferred income

Granting of Funds Scheme by the Local Government Division

4.1 With reference to the Granting of Funds Scheme by the Division to the Local Government agreement, the Committee's responsibility is not solely as custodian of the funds but also to coordinate and monitor the respective Local Councils during the implementation period. At 31 December 2024, outstanding balance amount to €876,081.72. During the audit, the Committee only provided payment instructions from the DLG and the proof of funds transferred to the respective Local Council for various projects.

4.2 We encourage the Committee to obtain sufficient supporting documentation with respect to projects being reimbursed by the Committee in order to properly monitor and account the said projects as stipulated in the agreement.

Tarmac Initiative Fund

4.3 With reference to the Memorandum of Understanding between the Committee and the Local Government Division regarding the Tarmac Initiative, the Committee received an amount of €114,340 in prior years and an amount of €29,944.86 remains unutilised and which has been outstanding since 2021.

4.4 We recommend that the Committee follows this up with DLG and either settle or, if considered non-payable, reverse after careful consideration and approval by the Committee. Any decisions taken should be fully explained and taken into the Committee's minutes.

Economic, Social and Cultural Plan Fund

4.5 The Committee received an amount of €200,000 from the Local Government Division to carry out works and projects which address the Economic, Social and Cultural plan of the Government in 2015. Up to date, the Committee has yet to plan the possible work and projects.

4.6 We recommend that the Committee follows this up with DLG and either settle or, if considered non-payable, reverse after careful consideration and approval by the Committee. Any decisions taken should be fully explained and minuted.

Reimbursement from the Local Government Division (LGD) for expenses incurred (1) for the collection of recyclable waste from commercial establishments, and (2) VAT on the collection of household recyclables and glass

4.7 During our review of deferred income, we noted that the Committee recognised funds of €295,255 received from the DLG during the year. The Executive Secretary explained that this amount represents fund from the LGD intended to reimburse expenses of the company incurred in 2024 for collection of recyclable waste from commercial establishments, and VAT on collection of household recyclables and glass. Since the reimbursement relates to expenses incurred in 2024, we proposed an adjustment to reverse the deferred income against other government income, and these have been reflected in the financial statements.

4.8 We also noted that there was no formal agreement to govern DLG's reimbursement of these expenses.

4.9 We recommend the Committee to review its deferred income at year end and ensure that revenue is recognised in the same period it is earned. We also recommend the Committee to formalise its agreement with DLG governing the reimbursement of these expenses. This will provide a clear and adequate information supporting the income reimbursed to the Committe which will ascertain the accuracy of the income recorded in the accounting records.

Agreement with GreenMT and GreenPac

4.10 According to the signed agreement between the Committee and GreenMT and GreenPac, referred as 'Producer Responsibility Organization' (PROs), dated 29 October 2024, the PROs shall reimburse the Committee for costs incurred on recyclable and glass waste in the residential area, exclusive of VAT. We noted that the Committee did not accrue the amount of €310,840 representing reimbursement on costs incurred in 2024 which the Committee is expected to receive in September 2025 as per the agreement. Since the Committee is entitled for reimbursement on expenses incurred in 2024, we proposed an adjustment to accrue income from refuse collection, and these have been reflected in the financial statements.

4.11 We recommend the Committee to monitor its accrued income arising from agreements and implement a procedure to ensure that income is recognised in the same period it is earned. Recognising accrued income ensures that revenue is matched with the period in which it is earned, adhering to the matching principle in accounting.

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 Committee. 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 Ms Lianne Cassar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,