

The Board of Members**Western Region**

Local Government Building,
Triq il-Gvern Lokali, Marsa,
Malta

29 April 2025

Dear Sirs,

We have completed our audit of the financial statements of the Western Region for the year ended 31 December 2024. The purpose of this report is to summarise our principal findings arising from this work.

Our audit was primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation. Consequently, the matters raised in this report cannot be regarded as comprehensive statement of all weaknesses that exist or all improvements that might be made. Our aim is to offer guidance to the Entity such that it would be in a better position to improve its internal controls, enhance its book-keeping function and consolidate its overall governance.

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 Agency. 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. Our engagement obliges us to distribute copies of this report to the Board Members. Consequently, this report, in part or in full, may not be distributed, used or quoted except for the scope it is prepared, without our prior written consent.

During the course of our audit for the year ended 31 December 2024, we examined the principal documents, systems and controls used by the Agency, to help it ensure, as far as possible, the accuracy of these documents and to assess how much one can rely on these documents' completeness and to safeguard the assets of the Agency. The most significant deficiencies we noted in the course of our audit are noted below.

The objective of this letter is to bring to your attention those divergences in the system that were noticed during our audit work and suggest ways of how these can be rectified. Should you require our assistance in bringing to fruition the suggested recommendations do not hesitate to contact us. We would like to take this opportunity to thank you and your staff at the Western Region, particularly Ms Tania Farrugia and Ms Aaliyah Vella for their constant co-operation and assistance during the course of the audit.

Yours faithfully,

Arthur Douglas Turner
Partner - Parker Russell Turner

FEEDBACK ON LAST YEAR'S MANAGEMENT LETTER

i. Trade and other receivables

In previous year, differences have arisen with WasteServ Limited balances and other set-offs which had to be carried out. This situation has not repeated itself and the accounting records of Western Regional Council agreed to the creditors' ledger of WasteServ Malta Ltd.

Similarly to previous year, differences have once again been noted in balances receivable from Other Local Councils as denoted in note 2 below, but which did not constitute any adjustments in the Regional Council, but which resulted in adjustments in the respective Councils.

ii. Trade and other payables

Similarly to previous year, differences have once again been noted in balances payable to Other Local Councils as denoted in note 3 below, but which did not constitute any adjustments in the Regional Council, but which resulted in adjustments in the respective Councils.

iii. Other payables

Point included in relation to other payables in previous year has been rectified. No other limitations this year were noted on other payables.

iv. Administrative expenses

In previous year, whilst reviewing administrative expenses, we noted various irregularities between expense items classifications. During the year under review, various reclassifications were also passed at audit level, as denoted in point 7.1 below.

Similar limitations were noted this year on deferred expenses as denoted in Note 7.2 below to the management letter.

In previous year, it was recommended that deadlines are established for Schemes for Assurances offered to Local Councils forming part of the Region, within which the Local Councils are allowed to submit their claims to the Regional Council. It has been noted that this deficiency has been addressed, and schemes are now being formalized, including a deadline date. We still recommend that a commitment letter should be affected with every Local Council who wishes to avail from Assurances.

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	WESTERN REGIONAL COUNCIL REPLIES
<p>1. PROPERTY PLANT AND EQUIPMENT</p> <p>1.1. Classification of transactions</p> <p><i>Weakness</i></p> <p>1.1.1. During our audit procedures, we noted that there were capital expenses of € 1,791 which were incorrectly accounted for within recurrent expenses. Furthermore, there were expenses incurred in relation to Assets under Construction of € 3,750, which were also included within recurrent expenses. These were capitalized at audit level. Strict guidelines should be put in place for the correct classification of assets.</p> <p><i>Recommendation</i></p> <p>1.1.2. We recommend that more attention is affected in the updating of accounting records to segregate properly between revenue expenditure and capital expenditure. Further, we recommend that the classification of the assets being purchased is identified in terms of the following categories:</p> <ul style="list-style-type: none"> - Assets purchased in terms of IAS 16 Property, Plant and Equipment; - Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and - Assets under development and not yet brought to use. 	<p>1.1.1 Noted. We do our utmost to classify the Assets and expenses accordingly. The mentioned expenses were repairs and maintenance made to the Seminary premises (e.g. Painting and maintenance of walls, doors and windows), hence in our opinion we thought that these were to be considered as recurrent expenses.</p>

<p>1.2. Capital grants</p> <p><i>Weakness</i></p> <p>1.2.1. The Council received approval for a grant pertaining to the project of CCTV cameras from which both the Regional Council as well as the respective Local Councils have benefitted. An exercise was carried out to split the grant between the portion pertaining to the CCTVs installed at the Regional Council from the portion pertaining to the other Councils. The capital grant for Regjun Punent was understated by € 1,554 and consequently an adjustment was reflected to reverse the amount from income against the Capital Grant.</p> <p><i>Recommendation</i></p> <p>1.2.2. Proper classification of Grants is crucial in line with the capital costs incurred, in order to ensure that the Matching Concept is being adhered to. Wrong classifications can lead to inaccurate depreciation costs and incorrect cut-offs.</p>	<p>1.2.1 The Regional Council had split the grants between capital and recurrent. The auditor proposed an adjustment of Eur1554 out of a grant of Eur80,000 which adjustment was included in the updated financial statements. A finalised bill was received after the accounts were closed.</p>
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<p>1.3. Finance Leases</p> <p><i>Weakness</i></p> <p>1.3.1. During our review of other areas in the financial statements, we also noted that the Regional Council has failed to identify that Right of Use assets should have been classified as fixed assets and accounted for under the provisions of a finance lease. Conversely, these were still treated as operating leases, which is not in compliance with IFRS 16 Finance Leases. Workings were determined during the audit allowing for the recognition of assets and corresponding lease liabilities, and this was adjusted accordingly at audit stage as follows:</p> <ul style="list-style-type: none"> - Right of Use assets amounting to € 72,142; - Finance Lease Liability amounting to € 57,142; - Depreciation on Right of Use Assets amounting to € 13,226; - Payments effected against the Finance lease to the value of € 15,000. <p>It is to be also noted that the incremental borrowing interest rates utilized in establishing the amounts of the finance lease were not correctly defined, and an average rate was applied.</p> <p><i>Recommendation</i></p> <p>1.3.2. It is suggested that when Finance Section are faced with situations as to whether transactions are to be capitalised or expensed, reference is made to the applicable accounting standards. Moreover, we recommend that accounting for Finance Leases is implemented on the basis of schedules worked out and such</p>	<p>1.3.1 Noted and such workings were provided to the auditors during the audit. The contract term was set as 2 years and not 5 years because contract may be extended further after the 2-year period and thus, the finance lease liability is 2 years and not 5 years. Proposed audit adjustments reflected in the updated financial statements as the auditor advised that although the contract is 2 years di fermo, the other remaining 3 years are also to be taken into consideration for accounting practices.</p>
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<p>transactions and such policies are updated ongoingly in the financial records of the Regional Council.</p>	
<p>2. TRADE AND OTHER RECEIVABLES</p> <p>2.1 Balances with other Local Councils</p> <p><i>Observation</i></p> <p>2.1.1 From our detailed reconciliation of transactions between the Regional Council's receivable amount from other Local Councils forming part of the Western Region and the books of accounts of the respective Councils, there were various small discrepancies which have arisen as follows:</p> <ul style="list-style-type: none"> - Waste disposal and refuse collection was understated by € 477 in Mqabba Local Council; - Waste costs were overstated by Eur 225, while invoices of € 3,304 were allocated to the wrong debtor account in Qrendi Local Council; - Waste disposal and refuse collection were understated by € 577 in Safi Local Council; - Payments € 84,318 were accounted for as settlements before year end by Zebbug Local Council, but in actual fact these were not received by Regjun Punent by year end. 	<p>2.1.1 Observation from Auditors noted. Reconciliations with the 10 local councils in our Region are regularly carried out. Seems to be agreeing that the accounts of the Regional Council did not need any adjustment and thus, factually correct.</p>

<p><i>Recommendation</i></p> <p>2.1.2 Although the discrepancies noted above did not constitute any misstatements for Regjun Punent, we urge the Regional Council to ensure that reconciliations with Local Councils are carried out with sufficient regularity for any differences to be ironed out and adjusted for in a timely manner. Further it would be a good control procedure for the Regional Council to follow up with the respective Councils.</p>	
<p>3. STOCK</p> <p><i>Weakness</i></p> <p>3.1. Costs in relation to the published book, <i>Djar t'Alla Djar tal-Poplu</i>, were all expensed in the year 2024, without taking into consideration stock levels at year end. Consequently, the cost of the booklets not yet distributed during the year of € 2,215, and which was stock at year end, has been reflected accordingly at audit level.</p>	<p>3.1 Noted. It is not the current intention of the Regional Council to sell these books and thus, they do not have a resale value. Therefore, in our opinion, these books should not have been valued as stock as at 31.12.2024. Suggested audit adjustment reflected in the updated financial statements.</p>
<p><i>Recommendation</i></p> <p>3.2. We recommend that a full stock take of books is carried out at every financial year-end. The resultant stock levels should be reflected in the accounting system, in order to determine the actual consumption and usage of these consumables during the financial period.</p>	

<p>4. TRADE AND OTHER PAYABLES</p> <p>4.1 Balances with other Local Councils</p> <p><i>Observation</i></p> <p>4.1.1. Our detailed reconciliation of transactions between the Regional Council's payable amount to other Local Councils forming part of the Western Region and the books of accounts of the respective Councils, revealed the following differences:</p> <ul style="list-style-type: none"> - Assistances of € 358 were wrongly included by Qrendi Local Council against Regjun Punent when in actual fact these were due from the Department of Local Government; - Claims raised by Rabat Local Council of € 10,353 have not been accepted by the Regional Council and consequently have to be reversed in Rabat Local Council books of accounts. Furthermore, there is a timing difference of € 2,162 for receipts which were reflected in Rabat Local Council in 2025; - Assistances of € 841 were double counted in Safi Local Council books of accounts; - Assistances of € 23,434 were omitted from Zebbug Local Council books of accounts; - Assistances of € 1,453 were omitted from Siggiewi Local Council books of accounts. <p>The above discrepancies did not necessitate any adjustments to the Regional Council's books, as explained above.</p>	<p>4.1.1 Observation from Auditors noted. Reconciliations with the 10 local councils in our Region are regularly carried out. Seems to be agreeing that the accounts of the Regional Council did not need any adjustment and thus, factually correct.</p>
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<p><i>Recommendation</i></p> <p>4.1.2. We urge the Council to instigate a procedure of regular reconciliations with Local Councils forming part of the Region to ensure that transactions are a mirror reflection of one another, and any differences are rectified in a timely manner.</p>	
<p>4.2 Balances with Other parties</p> <p><i>Weakness</i></p> <p>4.2.1. We have obtained a statement from WasteServ Malta Ltd and carried out a detailed reconciliation with the Regional Council's books of accounts. Our tests revealed that credit notes of € 14,663 issued in 2025 in relation to 2024, costs, were omitted from the Regional Council books of accounts.</p> <p>4.2.2. Further to the above, we have noted that accrued costs charged by WasteServ Malta Ltd, in relation to the invoice pertaining to Rejects, was overstated by € 653.</p> <p>4.2.3. We have obtained a statement from Waste Solutions Ltd, being the main contractor for refuse collection, and carried out a detailed reconciliation with the Regional Council's books of accounts. Our tests revealed that costs for refuse collection were overstated by € 4,307 in the Regional Council books of accounts. An audit adjustment was affected to reverse the said overstatement.</p>	<p>4.2.1 Noted. Credit notes referred were for October (Eur8,446.64) and November (Eur6,216.24) 2024 and were received after closing the annual accounts. However, they were erroneously omitted prior to the approval of the Annual Financial Statements of 2024.</p> <p>4.2.2 Noted. When closing the accounts we took an estimate of Eur40,000 since the rejects invoice was not yet received. Invoice of Eur39,347 was received on the 26th February 2025. Unaudited accounts were approved during Council meeting KRP-45-2025 held on the 28th of January 2025.</p> <p>4.2.3 This was an accounting error.</p>

<p><i>Recommendation</i></p> <p>4.2.4. We recommend that regular reconciliation of amounts due to creditors are prepared to promptly highlight any differences. WasteServ Malta Ltd is the main customer account and payables account of the Regional Council and consequently the Regional Council should ensure that transactions are reconciled on a regular basis.</p>	
<p>4.3. Other borrowings</p> <p><i>Weakness</i></p> <p>4.3.1. During the previous year, the Regional Council has received a loan from the Department of Local Government amounting to € 112,811. This loan was supported by a loan agreement. Nonetheless no settlements were affected by the Regional Council during 2024 and 2025.</p> <p>4.3.2. In addition to the above, the Regional Council owes other amounts to the Department of Local Government of € 418,730 pertaining to waste budget reallocated from other Councils in previous years. This amount is substantial, and although the Regional Council has enough cash flow resources to repay the amounts, cash flow planning is necessitated.</p> <p><i>Recommendation</i></p> <p>4.3.3. The Regional Council should get clearance of the repayment terms of the said loan balance and should ensure that it will abide with the terms and conditions of the said loan. If the loan repayment terms have changed, the loan agreement should be updated to reflect the revised terms. Furthermore, the Regional Council should negotiate a payment plan for the repayment of the Waste Allocation Temporary budget of previous year to ensure that cash flow outflows are not strained.</p>	<p>4.3.1/2 Noted. The Regional Council didn't receive any request for repaying such loans/advances. Also, during Waste meetings, the President asked several times DG Vassallo and Director Galea of DLG about reimbursement of the loan received and other amounts as shown in 4.3.1 and 4.3.2 however no definite answer was given. These funds also served for the Regional Council not to be short of cash to be able to pay the contractor for the services of swill collection.</p>

<p>4.3.4. We also recommend that cash balances designated for projects to be carried out on behalf of other local councils, along with any other loans payable, should be held in separate bank accounts, segregated from operational cash flows.</p>	
<p>5. ACCRUALS</p> <p><i>Weakness</i></p> <p>5.1. We observed, through a detailed exercise carried out in relation to the CCTV Cameras project, that assistances for installation of CCTV cameras at Local Councils were overstated by € 2,114.</p> <p>5.2. The Regional Council has not reflected the required provisions in relation to the new Collective agreement for clerical staff within Local Councils and Regional Councils. By the time of the audit, approval of workings has been attained by the Regional Council, and the salary arrears have been paid to the respective employees. Consequently, an accrual of € 5,757 was reflected through an audit adjustment.</p> <p><i>Recommendation</i></p> <p>5.3. We recommend that a procedure is in place to ensure that invoices relating to goods or services hovering around the year end, are properly verified to ensure that these are accounted for in the correct accounting period. Further, accrued costs should be reflected in line with stage of completion of the respective project.</p>	<p>5.1 The accruals were calculated to the best of our knowledge at the time that we were preparing the financial statements. A finalised bill was received after the accounts were closed.</p> <p>5.2 The Regional Council prepared workings which were reflected in the financial statements. At the time of preparing the financial statements, the collective agreement was not yet signed and its computation was still to be confirmed by DLG and thus they were not included with the accruals. The LCA guided us in working the correct arrears in relation to the new Collective agreement for clerical staff within the Regional Council.</p>
<p>6. INCOME</p> <p><i>Weakness</i></p>	

<p>6.1. It was noted that approved waste income pertaining to recyclables and glass collection, receivable from PROs, GreenPak and GreenMT, amounting to € 255,540, were omitted from accounting records. Although this income had not as yet been received by year-end, it had been confirmed through an agreement carried out between the relative parties, and consequently an adjustment was made to account for the said accrued income against the Revenue for the year.</p>	<p>6.1 Noted. This was erroneously omitted from our end as this income was received in 2025 whilst we were closing off our accounts. Amounts from PROs have been under discussion for two years and we look forward that the recently concluded contracts are honoured to ensure a smooth flow of funds to the Regional Council.</p>
<p><i>Recommendation</i></p> <p>6.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether this was received or not, should be accounted for in order to ensure completeness of income.</p>	
<p>7. ADMINISTRATIVE EXPENSES</p> <p>7.1 Classification of expenses to budget line items</p> <p><i>Weakness</i></p> <p>7.1.1 Whilst reviewing administrative expenses, we noted various irregularities between expense items classifications.</p>	<p>7.1.1 Any reclassifications suggested by the auditors were reflected in the updated financial statements.</p>

<p><i>Recommendation</i></p> <p>7.1.2 Expense classifications is vital in order to conform with budget categories. This will assist financial statements users to assess the Region's performance.</p>	
<p>7.2. Deferred expenses</p> <p><i>Weakness</i></p> <p>7.2.1. During the course of the audit, we have noted that work has proceeded on the Collaboration project namely 'Nudging Active Travel' being undertaken by the University of Malta. In previous year, expenses had been deferred since the project was still ongoing. An audit adjustment of € 6,764 was affected to reverse part of the deferred costs to the Income Statement on the basis of the stage of completion of the project.</p>	<p>7.2.1 Noted</p>
<p><i>Recommendation</i></p> <p>7.2.2. We recommend that expenditure invoices are scrutinized and verified to ensure that amounts are properly charged in line with agreements and with the stage of completion of the project in question, thus ensuring that all expenditure is recorded in the correct financial period.</p>	
<p>7.3 Rent</p> <p><i>Weakness</i></p> <p>7.3.1 Rent for office premises being leased out from AKL was terminated in March 2024, three months prior to termination of rental agreement.</p>	<p>7.3.1 Noted. A written confirmation that there are no</p>

<p>Furthermore, the contract stipulated also a portion of water and electricity charges to be incurred by the Regional Council for the same period. No termination agreement was affected for the termination of the lease, and no water and electricity charges were incurred by the Council during the duration of the lease.</p> <p><i>Recommendation</i></p> <p>7.3.2 The Regional Council has obtained confirmation in writing from AKL that no further liabilities are due for rent and no further charges shall occur for previous year's usage of water and electricity. Nonetheless, we recommend that in future for similar situations, a formalized termination agreement should be executed which will give reassurance that no further liabilities will arise on the entity.</p>	<p>further dues was obtained from LCA after auditor's recommendations.</p>
<p>8. INFORMATION ON THE PORTAL</p> <p>Weakness</p> <p>8.1. Whilst checking the Regional Council's portal on the Local Government website, we have noted that the Regional Council has failed to upload the following documents within the required time frame, in accordance with Memos 36/2011 and 01/2014, particularly for the following:</p> <ul style="list-style-type: none"> • Unaudited financial statements; • Audited financial statements; • Management letters; • Council replies to the management letters; • Quarterly reports; 	<p>8.1 This information was uploaded during the year on the old DLG website. However, during the year DLG introduced a new website and carried out the uploading of Minutes, Agendas and Schedule of payments. At the time of the audit the statements indicated were not uploaded as yet, thus not available on the new website.</p>

<ul style="list-style-type: none"> • Annual budgets; and • Business plans. 	
<p><i>Recommendation</i></p> <p>8.2. We recommend that the Regional Council uploads all documents in pdf format within the required time for each specific report as per the Local Government (Financial) Regulations.</p> <p>8.3. We also recommend that the Regional Council places more attention to ensure that all of the necessary documents are uploaded on the portal in a consistent matter to avoid any duplications or confusion.</p>	
<p>9. PRIOR YEAR RE-INSTATEMENTS</p> <p>9.1. Prior-year reinstatements have been affected to recognize income pertaining to 2023 which was omitted from the financial statements of 2023, as explained below:</p> <ul style="list-style-type: none"> - Amounts receivable from Department for Local Government amounting to € 173,646 pertaining to re-imburement of commercial recyclable waste collection for 2023 were omitted in previous year. An adjustment has been reflected to recognise such amount as General Income in the Statement of Comprehensive Income with the corresponding increases being reflected against accrued income. - Amounts receivable from Producer Responsibility Organisations consisting of recoverable costs against recyclable and glass waste collection for 2023 amounting to € 255,947 were omitted in previous year. 	<p>9.1. Noted. The contracts for this income with the PRO's were signed in Oct 2024 thus these could not have been accounted for in 2023 since we didn't have any written confirmation on when we would be receiving such funds.</p>

<p>An adjustment has been reflected to recognize such amount as General Income in the Statement of Comprehensive Income, with the corresponding increases being reflected against accrued income.</p> <p>9.2. Although the agreements related to the above income were finalized in 2024, the corresponding reinstatements were appropriately reflected in the prior-period financial statements to avoid distortions in financial results and to ensure accurate financial reporting.</p>	
<p>10. PRESENTATION OF FINANCIAL STATEMENTS</p> <p><i>Weakness</i></p> <p>10.1. The Regional Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU.</p>	<p>10.1 Noted. Any suggested changes were reflected in the updated financial statements</p>
<p><i>Recommendation</i></p> <p>10.2. We recommend that the Regional Council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.</p>	

<p>11. CONCLUSIONS</p> <p>11.1. The Regional Council has taken action on previous year's management letter. Further, we have noted that good control procedures are being applied especially in the procurement of costs, in line with procurement regulations. The Regional Council is conducting its operations in a structured manner whereby approvals are sought at Council level, and documentation is being kept in an orderly manner.</p> <p>11.2. We urge the Regional Council to come up with an action plan, with clearly set target dates and by which the Regional Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.</p>	<p>11.1 Noted. We would like to take the opportunity to thank the auditors for their work. As we had done in previous years we will make our utmost to learn from the weaknesses indicated and improve our operations where possible to the best of our ability.</p>
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