The Board of Members
Western Region
Local Government Building,
Triq il-Gvern Lokali, Marsa,
Malta

21 May 2026

Dear Sirs,

We have completed our audit of the financial statements of the Western Region for the year ended 31 December 2025. 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 2025, we examined the principal documents, systems and controls used by the entity, 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 Westen 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. *Property, plant and equipment*

In previous year, audit adjustments had to be reflected in relation to incorrect classification of assets, Finance leases and capital grants. Similar limitations were noted in relation to classification of assets as per note 1.1 to the management letter. However, shortcomings in capital grants and finance leases were not encountered this year.

ii. *Trade and other receivables*

In previous year, differences have been noted in balances receivable from Other Local Councils. which did not constitute any adjustments in the Regional Council, but which resulted in adjustments in the respective Councils. This shortcoming did not repeat itself during the year under review.

iii. Stock

In previous year, sock levels at year end in relation to the published book, *Djar t'Alla Djar tal-Poplu*, were not reflected. Although the stock movement in relation to published books was properly accounted for this year, other limitations were noted as per point 2 below.

iv. *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 3.1 below, but which did not constitute any adjustments in the Regional Council, but which resulted in adjustments in the respective Councils.

In previous year, differences were noted while performing detailed reconciliation of WasteServ Malta Ltd with the Regional Council's books of accounts. No discrepancies have resulted during the year under review.

v. *Borrowings*

In previous year, there were borrowings brought forward which had remained outstanding. This limitation has repeated itself during the year under review, as noted in note 3.2 of the Management letter.

vi. *Accruals*

In previous year, our testing revealed omitted accruals which were adjusted for at audit level. This limitation did not repeat itself during the year under review.

v. Income

In previous year we noted understated income of € 255,540 receivable from PROs, GreenPak and GreenMT. No discrepancies were noted in relation to waste. Other deficiencies were found as disclosed in note 4 below.

vi. 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 5 below.

Shortcomings noted in previous year on deferred expenses and rent, did not repeat themselves during the year under review.

vii. Prior-year reinstatements

Prior year reinstatement in relation to waste income. No prior year adjustments were necessitated during the year under review.

viii. Information on the portal

In previous year, we have noted that the Regional Council has failed to upload all documents required in accordance with Memos 36/2011 and 01/2014. This limitation did not repeat itself during the year under review.

ix. Presentation of financial statements

Similar deficiencies were noted this year on presentation of financial statements as denoted in Note 6 below to the management letter.

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	WESTERN REGIONAL COUNCIL REPLIES
1. PROPERTY PLANT AND EQUIPMENT **Classification of transactions** *Weakness* 1.1. During our audit procedures, we noted that recurrent expenses amounting to €1,991 were incorrectly classified as capital expenditure. These expenses related to assistance provided in connection with CCTV projects carried out by other Local Councils. Appropriate guidelines and controls should be implemented to ensure the correct classification of expenditure between capital and revenue items. 1.2. Consequent to the above, depreciation charged for the year was overstated by € 299, which was adjusted for at audit level. *Recommendation* 1.3. We recommend that greater care is exercised when updating accounting records to ensure the proper distinction between revenue expenditure and capital expenditure. The Council should also establish clear internal guidelines and review procedures to support the accurate classification of transactions in accordance with applicable accounting requirements.	This was part of a project in which the Council have allocated a number of CCTVs to all Local Councils of the Region and used two CCTVs for the Regional Council. Thus, mentioned costs were a matter of allocating these overheads costs between Local Councils and Regional Council. Matter noted and the Local Council updated the financial statements as suggested by the auditors

2. STOCK *Weakness* 2.1. Costs in relation to the travel adapters were all expensed in the year 2025, without taking into consideration stock levels at year end. Consequently, the cost of the adapters not yet distributed during the year of € 2,665, which was stock at year end, has been reflected accordingly at audit level.	Noted. The adapters do not have a resale value and thus, our opinion, these giveawyas should not have been valued stock as at 31.12.2025. However, suggested audit adjustment was reflected in the updated financial statements.
Recommendation 2.2. We recommend that a full stock take of books and adapters 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.	
3. TRADE AND OTHER PAYABLES **3.1 Balances with other Local Councils** *Observation* 3.1.1. 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: - Assistances of € 664 in relation to reimbursement for 2025 expenses were omitted from Kirkop Local Council books of accounts;	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.

- Assistances of € 4,322 were omitted from Zebbug Local Council books of accounts; - Assistances of € 2,082 were omitted from Rabat Local Council books of accounts.; - Assistances of € 3,475 were omitted from Dingli Local Council books of accounts. The above discrepancies did not necessitate any adjustments to the Regional Council's books, as explained above.	
3.2. Other borrowings *Observation* 3.2.1. 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. 3.2.2. 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, these amounts remained unpaid. *Recommendation*	Noted. The Regional Council didn't receive any request for repaying such loans/advances, although the President asked DLG to advise when to repay these funds.

3.2.3. 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. 3.2.4. 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.	
4. INCOME *Weakness* 4.1. Whilst testing revenue transactions, we noted that default notices issued to contractors were overstated by € 9,150. This overstatement had been recognised against accrued income in the accounting records. The discrepancy was identified during the audit process and corresponding audit adjustments were subsequently effected at audit level. The issue indicates weaknesses in the review and verification procedures relating to the calculation and recognition of accrued income and default charges.	This matter was discussed with the auditor during the audit and seems that there may have been a misunderstanding about this matter. The Waste Manager had advised the Regional Council of an amount to accrue for during the preparation of the financial statements. However, during the audit fieldwork, the amount has been revised and this revision was reflected as an audit adjustment in the updated financial statements.
Recommendation	

4.2. We recommend that the Regional Council strengthens its review and reconciliation procedures relating to revenue recognition and accrued income balances. Supporting calculations for default notices and related accruals should be independently verified prior to being recorded in the accounting records to ensure accuracy and completeness, in line with transaction histories obtained by the contractors. Periodic reviews should also be carried out to identify and correct any discrepancies in a timely manner.	
5. ADMINISTRATIVE EXPENSES **5.1. Classification of expenses to budget line items** *Weakness* 5.1.1. Whilst reviewing administrative expenses, we noted various irregularities between expense items classifications. Various reclassification adjustments were passed at audit level.	Any reclassifications suggested by the auditors were reflected in the updated financial statements.
Recommendation 5.1.2. Expense classifications is vital in order to conform with budget categories. This will assist financial statements users to assess the Region's performance.	
6. PRESENTATION OF FINANCIAL STATEMENTS *Weakness*	

6.1. 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.	Noted. Any suggested changes were reflected in the updated financial statements
Recommendation 6.2. 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.	
7. CONCLUSIONS 7.1. The Regional Council has taken positive action in addressing the matters raised in the previous year's management letter. Furthermore, we noted that sound control procedures are being applied, particularly in relation to procurement processes, which are generally being carried out in line with the applicable procurement regulations. The Regional Council is conducting its operations in a structured and organised manner, whereby approvals are being obtained at Council level and supporting documentation is being maintained appropriately 7.2. Notwithstanding the above, we encourage the Regional Council to establish a formal action plan addressing the weaknesses identified in this report, including clearly defined responsibilities and target completion dates. Such a plan would assist management in monitoring the implementation of corrective measures and strengthening the overall control environment.	The Regional Council acknowledges the auditors' positive feedback regarding the improvements made since the previous year and the effectiveness of the control procedures currently in place, particularly in relation to procurement and governance processes. We appreciate the auditors' recommendation to formalise an action plan addressing the observations raised in this report. The Council agrees that establishing a structured plan with clearly assigned responsibilities and defined timelines will further enhance monitoring and ensure timely implementation of corrective actions. Management will be taking the necessary steps to develop and implement such an

7.3. We remain at your disposal should you require any further clarification or assistance in relation to the matters referred to in this report.	action plan to strengthen the overall control environment. The Regional Council would also like to express its sincere appreciation to the audit team for their professional work and constructive recommendations.