Your ref: AB/dc/121526

16th June 2026

Director,
Department for Local Government
26, Archbishop Street,
Valletta

Dear Sir,

Management Letter – Financial Year – 2025

Reference is made to the above-mentioned letter dated 22nd April 2026, received at the Council's Office on the 20th of May 2026 concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Management Letter were read and discussed, and where it was deemed appropriate, to forward the following comments:

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2024

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. It is positive to note that the auditors themselves recognized that they did not encounter most of the matters mentioned in the management letter of the prior year. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Income from rental of civic centre

The auditor's comment noted. However, it is important to note that although it is correct that FSWS is a Government Entity, the rental of the civic centre is a separate activity from Central Government funding and thus was shown separately to avoid confusion to the users of the financial statements. On the other hand, the auditors seem to indicate that they are suggesting that the income from rental of garages is shows under the classification of income from Bye Laws. It is kindly suggested that this matter is discussed in next year's audit so as a decision will be taken where this income will be shown on the financial statements to either change where it will be disclosed or else remove this comment from the management letter.

Income from Permits

Noted. The Council with the assistance of the Executive Secretary has implemented a new system with which to reconcile the online permits and the permits paid by cash. The Council will strive to reconcile the funds daily and then weekly and do the deposits twice a week or as necessary. It is important to classify that the difference mentioned by the auditors in 2025 nets off against the difference noted in 2024 and thus, this confirms that the funds not yet deposited as at end of 2024 were deposited in 2025 after such reconciliations were performed and concluded.

3. EXPENDITURE

Classification of expenditure

The auditor's comment noted, and the reclassification reflected in the unaudited financial statements and also in the updated financial statements. Mentioned reclassification from the auditors refer to reclassifications in the Extended Trial Balance which were fully explained to the auditors. We do not agree that there was a difference of Eur499 because such amount is the untaxable amount of the Transport allowance of the Executive Secretary in line with the Fringe Benefits Tax Rules of the Inland Revenue of Malta.

4. FIXED ASSETS

It is important to note that the acquisition of property is not included in the FAR since no depreciation is provided on the cost of land property. We always repeat this reply but the auditors have never recognized our explanation. Furthermore, the net book value in the unaudited financial statements of Urban Improvements was not as disclosed in the auditors' management letter and thus, it seems that there is an inconsistency in the auditors' management letter. In fact, the total NBV in the unaudited financial statements and the FAR as presented to the auditors was in full agreement.

Comment about the details of the FAR noted. The Council believes that the Fixed Asset Register of the Council is reasonably detailed and that, where relevant, the details requested are included. However, a balance must be struck between practicality and correct use of information. The Council uses the FAR software as suggested by the DLG which software only allows the recording of the information as recorded by the Council

The Council will be liaising with its Architect and Engineer to quantify the separate cost of the Second Floor to be able to adopt the requirements of the IAS40.

5. TRADE RECEIVABLES

Debtors

Noted and the Council is investigating these balances to decide how to best approach the situation. The Council provides provision for balances which are more than two years old.

6. TRADE PAYABLES

Collections on behalf of other entities accounted

Noted. The Executive Secretary has taken over this role and is reconciling these balances regularly to ensure that funds are remitted to other entities in a timely manner. Furthermore, with the DLG's change in Chart of Accounts in 2026, the Council will be separating these balances in the accounting system by entity to maximise traceability and minimise the possibility of human error.

Clayton Cascun Portelli
Mayor

Ann Marie Gatt
Deputy Executive Secretary