National Audit Office MALTA

Our Ref: NAO 107/2021/17
Your Ref:

11 May 2026

The Mayor and Executive Secretary
Fgura Local Council
Fgura

Dear Sir/Madam,

AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2025

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2025.

After seeking the Council's approval, you are kindly requested to submit your response to this Office, to the Director (Monitoring & Support) Local Government Division and the Local Government Auditor, as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,

T. Mercieca

Tanya Mercieca
Consultant, Local Government Auditing

Encls.

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The Mayor
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Fgura

Our ref: AB/dc/121526

22 April 2026

Dear Sir,

Financial statements for the year ended 31 December 2025

During the course of our audit for the year ended 31 December 2025, we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Income

We again encountered instances where income was not classified correctly (refer to note 2.1).

We noted unreconciled income from permits per accounting record and report extracted from system (refer to note 2.3).

We did not encounter the improper classification and monitoring the schemes' balances.

We did not note an understatement of accrued income and income.

1.2 Expenditure

We again encountered instances where expenditure was not classified correctly (refer to note 3.1).

1.3 **Fixed assets**

We again identified discrepancies between the fixed asset register and financial statements (refer to note 4.1).

We again noted that the fixed asset register does not include all the details (refer to note 4.3).

The council once again failed to show the property which is being rented out as investment property (refer to note 4.5).

1.4 **Trade receivables**

We again identified long outstanding receivables (refer to note 5.1).

We have noted a shortcoming with respect to pre-regional receivables (refer to note 5.4).

1.5 **Cash and cash equivalents**

We did not identified shortcomings on delayed deposit and unrecorded cheque during the year.

1.6 **Trade payables**

The Council still has not completely resolved the differences between the amount per bank account used to collect the amounts collected on behalf of other entities against the payable to other entities per books (refer to note 6.1).

We did not note any long outstanding creditor balances as at 31 December 2025.

The Council is obtaining monthly supplier statements to reconcile outstanding balances.

2 Income

Income from rental of civic centre

2.1 We again noted that the council has classified the income of € 26,163 from the Foundation for Social Welfare Services, with respect to the rental of the second floor of the civic centre, in a separate account in general income rather than with funds received from Government. During the year, the Council generated €5,145 from short-term rentals of its hall and garage. This income was recorded under General Income instead of being classified under Income Raised in accordance with Council Bye-Laws.

2.2 We reiterate our recommendation that the council discloses all income received from Government entities which is not part of the annual allocation as other Government income.

Permits

2.3 We observed that the council does not reconcile permits received via cash and bank direct debits with the accounting records and the reports extracted from the permit system. For the period from 1 January 2025 to 31 December 2025, the permit system report reflects total revenue of €30,652, whereas the accounting records show a higher amount of €42,057. This has resulted in a variance of €11,405 between the two sources.

2.5 We recommend that the Council appoints a person to prepare a weekly reconciliation schedule between the reports extracted from the permits system, amount reflected in the bank statement and the amounts recorded in the books. Additionally, the Council should ensure accurate information is provided to the accountant to minimize mispostings. Furthermore, the Council should consistently follow a cut-off period and promptly deposit cash received from permits, ideally on a weekly basis, to prevent misappropriation.

3 Expenditure

Salaries and allowances classification

3.1 During the year, we noted that the unadjusted trial balance do not reflect the correct classification of the salaries and allowances according to the reported FSS filings to the Internal Revenue. Refer to the summary presented as follow:

	Per FS3 Return €	Unadjusted TB €	Difference €
Key Management Personnel			
Executive secretary salary and allowances	52,019	41,345	10,674
	100,235	89,561	10,674
Operations Personnel			
Employees' Salaries	141,226	152,399	(11,173)
Social Security Contributions	14,131	14,131	-
	155,357	166,530	(11,173)
Total	**255,592**	**256,091**	**(499)**

3.2 We recommend that the Council should ensure proper classification of the items under salaries and wages to avoid incorrect disclosure in the financial statements.

4 Fixed assets

Reconciliation of unaudited financial statements to fixed asset register

4.1 We noted that the fixed asset register does not agree to the unaudited financial statements. The following is a summary of the differences:

Asset category	NBV in fixed asset register €	NBV in unaudited financial statements €	Difference €
Acquisition of property	-	465,711	(465,711)
Urban Improvements	269,671	275,261	(5,569)
	269,671	**740,972**	**(471,301)**

We reiterate our recommendation that the council investigates the variance and updates the fixed assets register and/or accounting records accordingly.

Upkeep of fixed asset register

4.2 The fixed asset register does not include important information such as suppliers' details, invoice number, acquisition date and location of assets. Although we appreciate that the council's accounting system allows the fixed asset register to be issued in various formats, the council is still unable to furnish a single fixed asset register report showing all necessary details.

4.3 The fixed asset register should at least include the following details:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation method and rate
- Location of the asset
- Grants received

4.4 We reiterate our suggestion that the council updates its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation. Hence, the Council would be able to ensure that it is presenting the correct net book value.

Investment property

4.5 We again noted that the second floor of the civic centre is being rented out to the Foundation for Social Welfare Services which operates as an independent entity. Consequently, that part of the civic centre being rented out should be classified as investment property and falls under the provisions of IAS 40 '*Investment Property*'. No audit adjustment was proposed since we were not provided with the cost of the second floor. Our audit report has been modified to include the failure to adopt the requirements of IAS 40.

4.6 We reiterate our recommendation that the council confirms the cost of the floor which is being rented out with the architect. This should include any equipment and other capitalised costs in relation to this floor.

5 Trade receivables

Long outstanding receivables

5.1 Included with trade receivables are the following amounts which have been outstanding for more than one year:

Debtor	€
LESA	286.45
	286.45

5.2 We recommend that the council follows up on these outstanding debtors for payment and ensures that all amounts are received.

5.3 We noted that the following debtor balances were reported as outstanding as of 31 December 2025; however, upon reviewing the bank statements, we identified that these balances had already been settled during the same year.

Debtor	€
Kalkara Local Council	500.00
Lindsey Kathleen Nastos	300.00
	800.00

Pre-regional receivables

5.4 According to report 622 generated from Loqus system, tribunal pending payments as at 31 December 2025 amounted to €319,230. The council's books of account include €328,850 receivable from LES debtors. The above results in a difference of €9,620. We did not propose an audit adjustment to account for LES debtors since it has no effect on the financial statements as LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

6 Trade payables

Collections on behalf of other entities account

6.1 Whilst reviewing the council's account 4006 other payables which pertains to the collections on behalf of LESA, Lands Authority and MTA, the team has noted the corresponding bank account used to hold these collections doesn't match with the amount of this account.

Account Code	Account Description	Amount €
5001	BOV Merchant Account - 40021759044	4,280.07
4005	Third Party Payments – LC Other entities	1,570.35
	Difference	**2,709.72**

6.2 We reiterate our recommendation that the Council must always use this account to deposit these collections to separate them from other funds.

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 council. 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 Gwenith Calleja and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

Grant Thornton