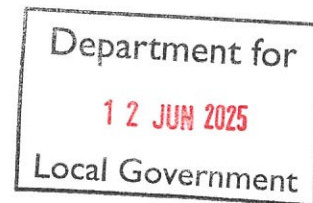


The President  
Regjun Nofsinhar  
395, Triq il-Vitorja  
Hal Qormi, QRM 2504  
Malta

Our ref MB/mf/123525  
21 May 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 Regjun Nofsinhar (the “region”). 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 have again identified shortcomings in the region’s income (refer to note 2).

**1.2 Local enforcement system**

The region’s financial statements are highly reliant on the Loqus report. We were again not provided with the IT systems audit (refer to note 3.1).

**1.3 Fixed asset register**

The fixed asset register still does not include all the necessary details. (refer to note 4).

**1.4 Trade and other receivables**

We have again identified shortcomings in the accuracy and existence of trade and other receivables. (refer to note 5.1).

**1.5 Trade and other payables**

We have again identified shortcomings in the completeness of accrual of expenses (refer to note 6.1).





1.6 **Borrowings**

We are pleased to note that we did not any identify further issues on the region's borrowings.

1.7 **Cash and cash equivalents**

We are pleased to note that we did not any identify further issues on the region's cash and cash equivalents.

1.8 **Discrepancy in adjudicated contraventions**

We are pleased to note that we did not any identify discrepancy on the region's receivable balance and the adjudicated contraventions generated from locus system.

1.9 **Deferred income**

We are pleased to note that we did not any identify further issues on the region's list of deferred income.

**2 Income**

**Under-accrual of income from waste collection system**

2.1 During the prior year's audit, the audit team identified an under-accrual of income amounting to €58,412. This discrepancy pertained to amounts that were to be recharged to the Local Councils in relation to waste collection services, based on the billing of WasteServ Malta Ltd ("WasteServ"). During the current year, the region has decided not to recharge the revenue to the local councils and reverse the prior year income by debiting a revenue account instead of the retained earnings. This amount forms part of the summary of uncorrected misstatement.

2.2 During the year, we have noted that the region once again under-accrue its mixed waste collection and tipping fees to the Local Councils amounting to €75,642. No adjustment has been proposed, as the region has indicated that, consistent with the prior year's reversed income, the cost will be absorbed by the region.

2.3 We reiterate our recommendation for the region to ensure that the Distribution of Expenses file is kept up to date to ensure accuracy of recharges to Local Councils.

**Waste rejects recharging to Local Councils**

2.4 During the year, Wasteserv charged the region tipping fees for waste rejects related to recyclable and glass waste in 2023 and 2024. In turn, the region charged the waste rejects tipping fees amounting to €142,977, comprising €81,857 from 2023 and €57,120 from 2024, to the Local Councils without any signed agreement or an official circular issued by the government.

2.5 We have proposed to fully reverse the income recognised from waste rejects. The region has agreed to fully reverse the 2024 waste rejects on the grounds that the Department of Local Government ('DLG') has provided a financial allocation amounting to €78,007 which was finalised only in February 2025. This amount has been accrued by the region.



- 2.6 On the other hand, the region did not agree to reverse the 2023 waste rejects as no financial allocation has been provided by DLG to cover the expense. This has resulted to a qualified opinion being issued as there are no signed agreements or an official circular issued by the government as of 2024.
- 2.7 We have confirmed that six local councils has recorded the waste rejects recharge for €40,485 while five local councils did not record the waste rejects recharge for a total of €34,415. We were unable to confirm the balance of €6,957 with one local council.
- 2.8 For any new charges that is not within the scope of the waste management circular, the region should proactively seek clarifications from DLG regarding the appropriate accounting treatment. The region should communicate the outcome to all its Local Councils and obtain their agreement to ensure consistency across all parties involved.

### **3 Local Enforcement System**

#### **Loqus system**

- 3.1 The region's financial statements are highly reliant 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 LES receivables of €1,482,466 which was fully provided for.
- 3.2 We recommend 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. Due to this limitation, our audit report is qualified.

### **4 Fixed assets**

#### **Fixed asset register**

- 4.1 In accordance with circular 1/2021, the Committee must prepare a fixed asset register which reconciles with the nominal ledger. It was noted that the Committee keeps a fixed asset register on Excel workbook and not on its accounting software. Therefore, the depreciation is being calculated using Excel.
- 4.2 We have also noted that the fixed asset register does not contain complete details such as reference numbers, invoice numbers, suppliers' details or location and has grouped the assets based on the classification and the year it was acquired thus posing difficulty in the identification of specific assets.
- 4.3 We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:
- Description of asset
  - Date of purchase



- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation rate
- Depreciation for the year
- Accumulated depreciation
- Location of the asset, and
- Grants received.

4.4 An updated fixed asset register enables the region to exercise proper control over its fixed assets. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the region's fixed asset register be updated.

## **5 Trade and other receivables**

### **Confirmation of debtors**

- 5.1 As part of our audit procedures, we circularised confirmation letters to selected debtors. We noted a discrepancy amounting to €227,740 between the region's books and the ledgers received from WasteServ. Per further investigation, we have noted that the variance is due to an offset of receivable and payable balances between the region and WasteServ. An adjustment to offset the region's receivable and payable was included in the final set of financial statements to reflect this difference.
- 5.2 We recommend that the region should perform regular reconciliations with all debtors to promptly highlight any differences.

## **6 Trade and other payables**

### **Accruals**

- 6.1 We have noted that the region has received subsequent to year end an invoice amounting to €44,955 related to July to December 2024 waste rejects. However, no accrual has been recorded by the region related to this.
- 6.2 We would like to remind the region that expenses should be recorded as they are incurred and to review any invoices received subsequent to year end to ensure that expenses are recorded in the correct period and that accrual is made as at year end, if necessary.

### **Confirmation of creditors**

- 6.3 As part of our audit procedures, we circularised confirmation letters to selected debtors. We noted a discrepancy amounting to € 235,452 between the region's books and the ledgers received from WasteServ. As discussed in note 5.1, the variance is due to an offset of receivable and payable amounting to €227,740. The remaining variance of €7,716 relates to credit notes that have not been recorded by the region. The region has contacted Wasteserv for a copy of the credit notes and has agreed to adjust the amount in 2024. The region has included this adjustment in the final set of financial statements to reflect this difference.

- 6.4 We recommend that the region contacts Wasteserv and ensures that all credit notes have been provided. We recommend that the region should perform regular reconciliations with all its creditors to promptly highlight any differences.

### 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 Regjun Nofsinhar. 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 Mariella Strout and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

