



KUNSILL REĠJONALI TAN-NOFSINHAR

Uffiċċju Amministrattiv, 395, Triq il-Vitorja, Ħal Qormi QRM 2504



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National Audit Office
Notre Dame Ravelin
Floriana FRN 1601

Date: 30th June 2025

Financial Statements for the year ended 31st December 2024 - Management Letter

Reference is made to the Auditor's management letter dated 21st May 2025. In terms of Section P2.06P (d.02) of the Local Councils (Audit) Procedures 2006, on behalf of the Southern Regional Council (hereinafter, "the Region"), we are presenting herewith the following comments on the points raised.

The Management Letter was presented to the Council for discussion during Regional Council Meeting number 44 which was held on 30th June 2025. Consequently, the following comments were discussed and approved accordingly.

1. Previous management letter

The Regional Council is pleased to note the positive observations of the Auditors on points 1.6 to 1.8. Comments referring to the other points are being addressed below.

2. Income

Under-accrual of income from waste collection system

In 2024 the Regional Council had agreed not to recharge the discrepancies to the Local Councils and the cost will be absorbed by the Regional Council. However, the Regional Council is still contesting the 2024 discrepancies with WasteServ.

As from 1st January 2025, the Regional Council will no longer be utilizing the Distribution of Expenses and no recharges will be invoiced to the Local Councils. Therefore, the auditor's recommendation is no longer applicable.

President: Jesmond Aquilina

Deputat President: Dr. Marija Sara Vella Gafa'

Sindki Membri: Josef Masini Vento (Ħal Qormi), Doris Abela (Żejtun), Scott Camilleri (Birzebbuga), Darren Abela (Ħal Għaxaq), Marija Sara Vella (Il-Gudja), Christian Sammut (Il-Ħamrun), John Schembri (Ħal Luqa), Josef Azzopardi (Il-Marsa), Mario Calleja (Marsaskala), Steven Grech (Marsaxlokk), Charmaine St John (Santa Luċija), Stephen Sultana (Santa Venera)

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Waste rejects recharging to the Local Councils

The Regional Council did not agree to reverse the 2023 waste rejects as no financial allocation has been provided by DLG to cover the expense and has written confirmation from DLG that the Regional Council may opt to either recharge the Local Councils for this expense or to absorb the cost. As the Regional Council does not generate own income, it cannot absorb the cost and this was discussed and agreed with the Local Councils during the council meetings. On this basis, the Regional Council therefore does not agree with the Qualified Opinion.

3. Local Enforcement System Loqus System

As indicated in previous years, the Regional Council stresses that the audit of the IT system of Loqus is beyond its control.

Last year, the Regional Council had reached out for clarification on the audit report on the IT system of Loqus. We again present their reply below:

“An IT Audit is carried out on yearly on the LES system as part of the wider scope of the company’s Financial Audit. However, please be informed that in 2020, LESA requested an IT Audit of the LES System. This was concluded in March 2021 based on the objectives set out and confirmed by NAO. This is also mentioned directly in the Report by the Auditor General on the Workings of Local Government 2022, published in November 2023. A follow up on the recommendations listed in the IT Audit report was also being actively pursued.”

4. Fixed Assets Register

The Regional Council is currently shifting our excel-based asset register onto the Fixed Assets Module of our accounting system within the next 12 months and testing is being effected on the implementation.

5. Trade and other receivables Confirmation of Debtors

The discrepancy is due to a set off for Eur227,740 which was recorded by the Regional Council in January 2025, while Wasteserv recorded it in their books in December 2024. This was therefore just a timing difference.

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6. Trade and other payables

Accruals

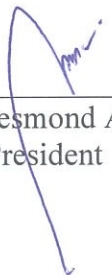
The Regional Council duly noted this point and the audit adjustment was accepted and effected as proposed.

Confirmation of creditors

The Regional Council notes that the difference is due to the set-off mentioned in point 5 above and due to missing credit notes. The Regional Council duly notes the auditors recommendation and will request regular statements to immediately highlight and rectify any resulting differences.

Conclusion

As a follow-up, the Council will seek to address all the issues raised in this year's management letter and any points still pending from the previous one. However, we reiterate that certain points mentioned are outside the control of the Regional Council and hence very difficult to rectify. During the coming year, the Regional Council will continue to further strengthen and improve its operations, controls and accounting records.



Jesmond Aquilina
President

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Mariella Strout
Executive Secretary

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