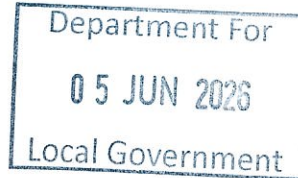


The President  
Regjun Nofsinhar  
395, Triq il-Vitorja  
Hal Qormi, QRM 2504  
Malta



Our ref: DK/mc/140726  
25 May 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 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).

##### **1.3 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 are pleased to note that we did not identify any further issues on the region's trade and other receivables.

##### **1.5 Trade and other payables**

We have again identified shortcomings in the completeness of accrual of expenses (refer to note 5).

## 2 Income

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

- 2.1 During the year, we identified an under-accrual of income of €17,644 relating to organic, recyclable, and administrative cost reimbursements from Producer Responsibility Organisations, arising from amounts accrued income being lower than the related expenses incurred.
- 2.2 We recommend for the region to ensure that the reimbursement file is kept up to date to ensure accuracy of recharges to the producer responsibility organisations.

### Waste rejects

- 2.3 During our audit, we noted that government grant income amounting to €81,857 was recognised in the prior year without sufficient evidence that the recognition criteria had been met. Following discussions with management, it was agreed that this amount would be reversed in the 2024 financial statements, given that the conditions for recognition were not satisfied at the reporting date. We are pleased to note that management has accepted this adjustment and has updated the comparative and current financial statements accordingly.

## 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 €1,462,570 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.
- 3.3 The Executive Secretary communicated to us that they have done multiple efforts to obtain an IT system audit report from the Loqus system provider. However, as at the date of this report, no response or acknowledgement has been received.

## 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 its accounting software which is fully reconciled to both excel files that are kept, being the detailed and summary fixed asset registers. However, a difference in depreciation was noted which was adjusted accordingly.

- 4.2 We recommend that the Committee maintains the fixed asset register within its accounting software and ensures that it reconciles with the nominal ledger, in line with Circular 1/2021. This would allow depreciation to be calculated automatically by the system, thereby reducing the risk of errors, strengthening internal controls, and improving the accuracy and reliability of fixed asset and depreciation balances.

## 5 Trade and other payables

### Accruals

- 5.1 At year end, the region recognised an expense accrual of €156,000 based on a fixed rate of € 78,000 applied semi-annually. This approach resulted in the current year accrual exceeding the prior year actual invoiced amount by € 53,925. During the audit, we requested that the region obtain the relevant supporting documentation directly from the supplier. The invoice subsequently provided amounted to €126,457, which is €29,543 lower than the recorded accrual. This was adjusted in the final set of accounts.
- 5.2 We recommend that region reviews the basis of the year-end accruals to ensure they are supported by evidence of services received or obligations incurred as at year-end. Where adequate support is not available, such accruals should be revised to reflect a more reliable estimate. Region should also strengthen controls over the estimation and review of year-end accruals to ensure consistency with underlying activity and prior-year trends.
- 5.3 In relation to the Local Councils' related parties projects, the region had recognised an accrued expense of €16,100 in relation to the Christmas Decoration expenses. Upon further testing and inquiry, it was noted that this accrual relates to reimbursements given to the Local Councils for the expenses incurred for Christmas decorations. The maximum reimbursement that can be given per council amounts to €2,000. Since only 5 councils were accounted for in this amount, the accrual expense should have been €10,000, hence an overstatement was noted. We have passed an adjustment to correct this balance.
- 5.4 We recommend keeping up to date with the reimbursement agreements that the region has with other local councils to ensure that there would not be any overstatements in the accruals.

## 6 Rental Agreements

### VAT concerning the rental agreements

- 6.1 In relation to the rental agreements between the Region and the Archdiocese of Malta, the Region has consistently made rental payments inclusive of VAT. This practice continued until the Region was informed that VAT should not be applied to these rental payments. No formal invoices have been issued by the Archdiocese, and the Region has been relying solely on the rental rates stipulated in the respective agreements when making these payments.
- 6.2 We recommend that the region engages with the Archdiocese of Malta to clarify the treatment of this amount and to agree, in writing, on how the receivable balance will be addressed.

- 6.3 Furthermore, we recommend that management assess the matter further to determine the likelihood and amount of recovery and consider whether appropriate disclosure as a contingent asset is required in the financial statements.

### 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,

*Grant Thornton*