



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: 24th June 2026

Financial Statements for the year ended 31st December 2025 - Management Letter

Reference is made to the Auditor's management letter dated 25th May 2026. 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 Region for discussion during Regional Council Meeting number 55 which was held on the 24th June 2026. Consequently, the following comments were discussed and approved accordingly.

1. Previous management letter

The Region is pleased to note the positive observations of the Auditors on point 1.4 whereby the Region has taken measures to correctly account for the Region's trade and other receivables. Comments referring to points 1.1, 1.2, 1.3 and 1.5 are addressed below.

2. Income

2.1 Under-accual of income from waste collection system

The Region provided the information requested by auditors related to organic waste reimbursement which is different from the PRO Green Pak and Green MT as being referred to in the management letter. However, the Region has taken note of the recommendations and accepted the necessary adjustments in relation to the organic waste

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Romeo Baldacchino (Il-Gudja), Christian Sammut (Il-Ħamrun), John Schembri (Ħal Luqa),
Luke Farrugia (Il-Marsa), Mario Calleja (Marsaskala), Steven Grech (Marsaxlokk),
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Segretarju Eżekuttiv: Mariella Strout

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2.3 Waste rejects

Following discussions with the auditors, the Region accepted the prior-year adjustment and updated the comparative and current financial statements accordingly.

3 Loqus System

As indicated in previous years, the Region stresses that the audit of the IT system of Loqus is beyond its control and it does not agree with the auditors' comment that the financial statements are highly dependent on income from administration fees, since all outstanding balances are fully provided for.

The matter has now been escalated to the National Audit Office, the Department for Local Government and the Local Council Association. Following these discussions, meetings have been scheduled with LESA and the management of Loqus system in an effort to identify a suitable resolution.

4.Fixed Assets

4.1 Fixed assets register

During 2025, the Region migrated the Excel-based fixed asset register onto the Fixed Assets Module within its accounting system. This will eliminate differences between records going forward and will ensure that the Region remains aligned with the instructions issued by the Department for Local Government.

5. Trade and other payables

5.1 Accruals

The accrual for WasteServ rejects relating to 2025 was calculated based on the previous invoices available at the time. The actual invoice was only received from WasteServ on 15th May 2026, after the audit process had already commenced, following various chasers from both the Region and the Auditors.

Consequently, the Region was not in a position to accrue the correct amount prior to receipt of the final invoice.

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The remaining points are duly noted, and the proposed audit adjustments were accepted and reflected accordingly.

6. Rental Agreements

The Region is currently engaging with the Archdiocese of Malta in order to agree on the appropriate manner in which the outstanding receivable balance will be addressed.

Conclusion

As a follow-up, the Region will continue to address the issues raised in the current Management Letter. However, the Region reiterates that certain matters highlighted are outside its direct control and are therefore challenging to rectify.

During the coming year, the Region will continue to further strengthen and improve its operations, controls and accounting records.



Jesmond Aquilina
President

Mariella Strout
Segretarju Eżekuttiv
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Mariella Strout
Executive Secretary

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