Grant Thornton

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The Mayor
Lija Local Council
27, Triq Robert Mifsud Bonnici,
Lija LJA 1403
Malta

Our ref: AB/dc/146926

26 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 Lija Local Council ('the Local Council'). We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Fixed Assets

The fixed asset register is once again lacking information as requested by the Local Council (Financial) Procedures, 1996 (refer to note 1).

1.2 Accruals and Prepayments

We have again identified issue relating to recording of Prepayments during the year under review (refer to note 3.8).

1.3 Trade and other receivables

We have again noted a discrepancy during our inspection of debtor balances (refer to note 3.1)

1.4 Trade and other payables

We have again noted a discrepancy on trade and other payables during the year under review (refer to note 4.1).

1.5 Presentation of financial statements

We again noted shortcomings in the unaudited financial statements (refer to note 6).

2 Fixed assets

Fixed asset register

2.1 To date, the Local Council has not yet compiled a fixed asset register. This contravenes the Local Councils (Financial) Procedures, 1996 which state that every Local Council is to create, maintain and control an accurate and up-to-date fixed asset register. This is strengthened by Directive 01/2017 stating that Local Councils must have a fixed asset register which agrees to the nominal ledger. Furthermore, the same directive stated that Local Councils who previously did not have a fixed asset register could start preparing one by including the total net book values of the previous assets purchased. The above was not provided to us.

2.2 We strongly recommend that the Local Council prepares a fixed asset register comprising at least the following details:

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

2.3 During our audit, we were only provided with the cost, accumulated depreciation, and net book values for past years on excel and their depreciation workings. Due to the lack of a fixed asset register, the depreciation is also being calculated on excel. Furthermore, due to the numerous adjustments passed which were affecting the total cost and related grants of fixed assets, the depreciation schedule had to be entirely reworked and reposted.

2.4 A fixed asset register is essential to maintain proper control over the assets in the Local Council's custody. It provides a checklist to enable periodic physical inspection of assets to verify existence and condition. Furthermore, the information contained above allows any disposals to be correctly accounted for.

3 Trade and other receivables

Wasteserve Malta Limited

3.1 During fieldwork, it was noted that the balance of 7,351.03 remains recorded under receivables. However, based on confirmations obtained in 2024, Wasteserve does not recognise the corresponding payable to the Council.

Debtor	Balance in books of account €	Balance confirmed by debtor €	Difference €
Wasteserv (Malta) Limited	7,351.03	-	7,351.03

3.2 Upon further investigation we noted that Wasteserv's provided statement of account did not include various invoices for 2021 to 2022. This has been a recurring difference of balances.

3.3 Accordingly, a provision for doubtful debts has been proposed, and local council has accepted our audit adjustment proposed, as the recovery of this balance is considered uncertain.

LES Debtor

3.4 We noted that based on LESA report 622, the recorded amount is €4,638.85, while the financial records reflect only €7,723.41. The Local Council has recognised this discrepancy, accepted our adjustments, and applied the necessary corrections to the financial statements.

3.5 To prevent similar discrepancies in the future, we recommend that the Local Council implements more rigorous reconciliation procedures between LESA reports and financial records.

Long outstanding debtors

3.6 Whilst reviewing receivables we noted the following overdue balances which are not provided for in the books of account:

	€
WasteServ (Malta) Ltd	7,351.03
LESA	868.14
Water Services Corporation	69.90
Regjun Xlokk	185.36
	8,474.43

3.7 We recommend that the Local Council undertake a comprehensive review of all long outstanding debtor balances to assess their recoverability. Where recovery is deemed unlikely, appropriate provisions or write-offs should be recorded in line with accounting standards and the Local Council's accounting policies.

3.8 **Prepayment**
We noted that the 2025 prepayment balance included amounts which should have been expensed during the year. Accordingly, we verified the relevant balances and proposed an audit adjustment to correctly expense these amounts. The Local Council agreed to the adjustment, and it has been recorded in the financial statements.

4 Trade and other payables

Confirmation of creditors

4.1 We identified a discrepancy relating to deposits made for rental purposes. During our review, we noted that the deposit of € 1,400 was paid by cheque in 2025; however, the cheque was never encashed. Despite this, the Local Council recorded the transaction as a debit to expenses and a corresponding credit to payables. As the cheque was not encashed, the entry did not reflect the substance of the transaction. Accordingly, we proposed an adjustment to reclassify the balance from expenses to receivables. The Local Council agreed with our proposed adjustment and the necessary corrections were recorded in the financial statements.

4.2 We recommend that the Local Council should enhance its financial controls to ensure accurate recording and reconciliation of transactions. Specifically, proper accounting procedures should be implemented for payable reversals, ensuring that refunds and payments are correctly recorded to prevent overstatements. Regular reconciliation between financial records and supplier confirmations should also be conducted to promptly identify and rectify discrepancies.

4.3 To ensure accurate financial reporting and prevent future understatements, we recommend that the Local Council implements stronger internal controls over expense recognition. This includes conducting regular reconciliations, maintaining proper documentation for bonus calculations, and ensuring timely adjustments when discrepancies arise.

5 Cash

5.1 Upon examining the cash balance, we determined that the negative cash recorded in the books was due to an understatement of other payables. The Local Council had credited cash even though the payment to the Commissioner for Revenue (CFR) amounting to €6,217.40 was made in January 2026. The Local Council has accepted our adjustments and updated the financial statements accordingly.

5.2 We further noted that there were cancelled checks amounting to a total of €490 during the year. An audit adjustment was proposed to reverse entry made to cash and trade payables account. The adjustment was correctly incorporated in the financial statements.

5.3 We recommend that the Local Council ensures that all liabilities are correctly recorded, properly reversing accounts payable upon settlement, and maintaining clear documentation for cancelled checks to avoid errors in financial reporting.

6 Financial statements

Groupings

6.1 We noted that expenses and income accounts are not being classified consistently from year to year. We have updated the classification accordingly.

6.2 We recommend that the classification of expenses and income is applied consistently to enhance the comparability of financial statements with previous years.

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 Local 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 Pamela Seguna and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

Grant Thornton