
Grant Thornton Malta

Fort Business Centre, Level 2
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050 Malta
T +356 20931000

The President
Regjun Port
97, Triq Santa Marija
Tarxien, TXN 1706

Our ref MB/mf/97825
17 February 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 your Committee. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter**1.1 Collections**

We noted a recurring issue with reference to collections (refer to note 2.1).

1.2 Loqus system

The Committee's financial statements are partly dependant on the Loqus report. We were again not provided with the IT systems audit (refer to note 2.4).

1.3 Supplier statements

We again noted that the Committee did not obtain supplier statements from all suppliers as required by memos and circulars (refer to note 3.1).

1.4 Long outstanding trade creditors

We have again noted that the Committee has long outstanding balances with its creditors (refer to note 3.3).

1.5 Other creditors

We still noted shortcomings in other creditors (refer to note 3.5).

1.6 Leases

We are pleased to inform that the Committee was able to reconcile the accounting for leases which qualified to be accounted under IFRS 16.



- 2.5 We reiterate our recommendation from the previous management letter stating 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.

3 Trade and other payables

Supplier statements

- 3.1 We again noted that the Committee did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department of Local Government specifically emphasise that the Committee should acquire monthly statements from all its suppliers.
- 3.2 We understand that the Committee does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the Committee keeps on chasing its suppliers for regular statements. This will ensure that the Committee's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Long outstanding trade creditors

- 3.3 While reviewing the Committee's aged suppliers' list we have again noted that the Committee has long overdue balances. These amount to €15,090.29 and have been carried forward from preceding accounting periods. The following are the creditors' balances that have been overdue for more than a year:

Creditor	In creditors' list €
Birgu Local Council	892.77
Valletta Local Council	14,197.52
Total	15,090.29

- 3.4 We advise the Committee to review all balances, and either settle or, if considered non-payable, reverse after careful consideration and approval by the Committee. Any decisions taken should be fully explained and minuted.

Other creditors

- 3.5 Whilst reviewing other creditors we noted that the Committee recorded €20,353.53 pertaining to LES receipts from unidentified deposits. The Committee does not know to which entities this money belongs. In the previous years, we noted that the Committee had discussed this issue with the Department stating that regions could not reconcile due to the introduction of the new system. To date the Committee has not resolved the issue and we were unable to identify to whom the monies are due.
- 3.6 We recommend that the Committee follows this up with DLG and asks for assistance in solving the issue mentioned above.

Reimbursement from the Local Government Division (LGD) for expenses incurred (1) for the collection of recyclable waste from commercial establishments, and (2) VAT on the collection of household recyclables and glass

- 4.7 During our review of deferred income, we noted that the Committee recognised funds of €295,255 received from the DLG during the year. The Executive Secretary explained that this amount represents fund from the LGD intended to reimburse expenses of the company incurred in 2024 for collection of recyclable waste from commercial establishments, and VAT on collection of household recyclables and glass. Since the reimbursement relates to expenses incurred in 2024, we proposed an adjustment to reverse the deferred income against other government income, and these have been reflected in the financial statements.
- 4.8 We also noted that there was no formal agreement to govern DLG's reimbursement of these expenses.
- 4.9 We recommend the Committee to review its deferred income at year end and ensure that revenue is recognised in the same period it is earned. We also recommend the Committee to formalise its agreement with DLG governing the reimbursement of these expenses. This will provide a clear and adequate information supporting the income reimbursed to the Committee which will ascertain the accuracy of the income recorded in the accounting records.

Agreement with GreenMT and GreenPac

- 4.10 According to the signed agreement between the Committee and GreenMT and GreenPac, referred as 'Producer Responsibility Organization' (PROs), dated 29 October 2024, the PROs shall reimburse the Committee for costs incurred on recyclable and glass waste in the residential area, exclusive of VAT. We noted that the Committee did not accrue the amount of €310,840 representing reimbursement on costs incurred in 2024 which the Committee is expected to receive in September 2025 as per the agreement. Since the Committee is entitled for reimbursement on expenses incurred in 2024, we proposed an adjustment to accrue income from refuse collection, and these have been reflected in the financial statements.
- 4.11 We recommend the Committee to monitor its accrued income arising from agreements and implement a procedure to ensure that income is recognised in the same period it is earned. Recognising accrued income ensures that revenue is matched with the period in which it is earned, adhering to the matching principle in accounting.

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 Committee. 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 Lianne Cassar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,