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

The Mayor
Mellieha Local Council
126, New Mill Street,
Mellieha. MLH 1107

Our Ref: APD/mc/156426)

6 July 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 Mellieha Local Council ('the 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 Income

We once again identified discrepancies between report 483 and the books of account (refer to note 2.1).

The council once again failed to obtain audited financial statements of the Joint Committee (refer to note 2.2).

1.2 Trade receivables

Once again, we identified overdue trade receivables (refer to note 3.1).

We identified discrepancies related to trade receivables aging schedule (refer to note 3.2).

1.3 Trade payables

We again identified long outstanding trade creditor (refer to note 4.1).

We have noted that the council was not able to obtain all the confirmation reply in our trade payables testing (refer to note 4.2)

We noted that the council did not obtain supplier statements from all suppliers as required by memo and circulars (refer to note 4.3)

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1.4 **Accruals**

We are pleased to note that we have not identified irregularities in recording the accruals during the year.

1.5 **Property, plant and equipment**

We again identified discrepancies related to Fixed Assets Register (FAR). (refer to notes 5)

1.6 **Financial statements**

We again identified that the council's unaudited financial statements needed updates and further corrections in accordance with IFRS.

2 Income

2.1 LES administration fees

During our audit fieldwork, we tested income from LES administration fees by comparing report 483 generated from the Loqus system and the amounts in the books of account. We found that the amount in the books of account is understated by €53. We did not propose an audit adjustment to correct this discrepancy since no explanation was forthcoming for the difference.

We recommend that the council regularly reconciles invoices with the 483 report to ensure accuracy and completeness.

During our review of pre-regional LES debtors, we noted that the decrease in tribunal pending payments in report 622 was €2,137 which contrasts with the no pre-regional contraventions paid during the year. We did not propose an audit adjustment in this respect.

The findings above cast doubts on the integrity of the data being generated from the Loqus IT system. Therefore, we recommend that the council takes the matter up with Loqus to determine what this difference pertains to. We also recommend that the council accounts for the movement from year to year so that the council is aware of what amounts are still due from pre-regional debtors at any point in time.

2.2 Joint Committee

We noted that the North Joint Committee, of which Mellieha Local Council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2010.

The reserves of the committee at that date amount to €1.67 million. In the absence of audited financial statements we were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.

Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

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3 Trade receivables

3.1 Overdue trade receivables

The book of account includes the following overdue receivables for which no provision was made in the books of account:

Debtor	€
Jake Borg	351.80
Go plc	9.32
	361.12

The council should regularly review overdue receivables for recoverability and if so, chase these debtors by sending reminders for the long overdue amounts. If recoverability of these debtors remains doubtful, the council should also consider making a provision for doubtful debts in the books of account after obtaining council approval in a meeting.

3.2 Trade Receivable Aging Schedule Not Reconciled to Accounting Records

During our audit, we noted that the total balance per the trade receivables aging schedule provided by council did not agree with the corresponding balance recorded in the trial balance/general ledger as at year-end. As a result, the aging schedule could not be readily reconciled to the accounting records.

Discrepancies between the aging schedule and the trial balance may indicate errors in the underlying accounting records, incomplete or inaccurate receivable listings, or deficiencies in the reconciliation process. This may result in incorrect reporting of trade receivables and could affect the assessment of expected credit losses and the accuracy of council reporting.

Council should ensure that the trade receivables aging schedule is regularly reconciled to the general ledger and trial balance. Any reconciling differences should be investigated and resolved promptly, with supporting documentation retained. A formal review process should also be implemented to ensure the accuracy and completeness of aging reports used for financial reporting purposes.

4 Trade payables

4.1 Long-outstanding creditors

Whilst scanning the aged list of creditors, we noted that list include the following balances which have been outstanding for more than one year:

Creditor	€
M0016 (MicaMed Ltd)	3,782
A0017 (ARMS Ltd)	489
M0110 (Mary Grace Mifsud)	315
C0022 (Mr Charles Caruana)	366
M0111 (Anna Mercieca)	294
	5,246

We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

4.2 Confirmation of trade creditors

We have noted that some of the selected samples for circularisation on outstanding trade payables of the council was not able to provide the necessary confirmation reply requested. The balance of the identified creditor, as follows:

	€
(Mr Carl Caruana)	28,038
(MicaMed Ltd)	
	27,374
(Mr Anthony Caurana)	6,187
(Mr Antoine Fenech)	4,931
(ARMS Ltd)	3,683
	70,213

We advise the council to promptly follow-up with the creditor to obtain the necessary details and ensure that the outstanding balance is accurate.

4.3 Supplier statements

We noted that the council did not obtain statements at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of accounts. Memos and circulars issued from time to time by the Department specifically emphasize that the council should acquire monthly statements from all its suppliers.

We understand that the council does make every effort to obtain statements from its suppliers and that sometimes, it is difficult to obtain monthly statements due to supplier's inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or dispute are highlighted promptly.

5 Property, plant and equipment

5.1 Reconciliation of financial statements to excel fixed asset register

During our fieldwork, we noted that the fixed asset register provided does not agree to the unaudited financial statements. The following is a summary of the differences:

	NBV in fixed asset register	NBV in the Financial statements	Variance
	€	€	€
Property	536,573.67	536,789.00	-215.33
Assets under construction	-	127,617.00	-127,617.00
Urban improvements and construction	60,007.39	227,323.00	-167,315.61
Plant, machinery and equipment	91,086.41	64,198.00	26,888.41
Office furniture and fittings	64,691.41	43,842.00	20,849.41
Special programmes	509,511.69	322,706.00	186,805.69
	1,261,870.57	**1,322,475.00**	**-60,604.43**

We recommend to the council to investigate to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register; and ensure that amounts recorded in the nominal ledger agrees to the fixed asset register and the financial statements.

5.2 Incomplete Recording of PPE Additions in Fixed Asset Register

During the audit, it was noted that total additions to property, plant and equipment per the nominal ledger amounted to €71,744, whereas additions recorded in the Fixed Asset Register (FAR) totalled €63,820.90. This resulted in a variance of €7,923.10, representing additions that were not recorded in the FAR.

Incomplete recording of asset additions in the Fixed Asset Register may lead to inaccuracies in asset records and depreciation calculations. This increases the risk of misstated fixed asset balances and may impact the completeness and reliability of financial reporting.

Council should ensure that all additions to property, plant and equipment are promptly captured in the Fixed Asset Register. A reconciliation between the nominal ledger and the FAR should be performed regularly to ensure completeness and accuracy of asset records.

5.3 Misclassification of Grant Balances in Financial Statements

During the audit, it was noted that grant balances have not been consistently classified within the financial statements. Specifically, certain grant amounts appear to have been mapped to incorrect asset categories (e.g. office furniture and fittings), rather than being aligned with the related underlying assets or projects. This resulted in inconsistencies within the fixed asset in the financial statements and the General ledger.

Incorrect classification of grants may lead to misstatement of asset categories and related deferred income balances. This reduces the reliability of the financial statements and may result in mismatches between assets and corresponding funding, impacting the accuracy of disclosures and depreciation or amortisation treatment where applicable.

Council should ensure that all grant balances are properly classified in accordance with the nature of the underlying funded assets. A review should be performed to align grant balances with the correct asset categories, and controls should be implemented to ensure consistent mapping and presentation in the financial statements going forward.

6 Cash and Bank Equivalents

6.1 Incomplete Year-End Bank Statement Extraction

During the audit, it was noted that for certain bank accounts, the bank statements obtained were not extracted up to 31 December 2025. As a result, year-end balances and transactions close to the reporting date could not be fully verified against complete bank records.

The absence of complete bank statements at year end increases the risk that cash and bank balances, as well as related transactions, may not be accurately recorded in the financial statements. This may impact the completeness and accuracy of cash balances and hinder effective verification of year-end cut-off.

Council should ensure that bank statements for all accounts are obtained up to the reporting date for audit and reconciliation purposes. Procedures should be strengthened to confirm that year-end bank balances and transactions are fully supported by complete and accurate bank documentation.

7 Financial statements

7.1 Presentation of financial statements

The council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit, we identified that the council's unaudited financial statements needed updates and further corrections in accordance with IFRS.

We recommend that the council gives more attention to the preparation of the financial statements. The required updates and corrections have been amended in the audited financial statements.

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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 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 Marica Gambin and her staffs for their co-operation and assistance during the course of the audit.

Yours faithfully,

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