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The Mayor
Ħal Balzan Local Council
7/9, Dun Spir Sammut Street
Hal Balzan

Our ref: AB/dc/143826

21 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 Ħal Balzan 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 Opening balances

We have not noted any shortcomings in the opening balances this year.

1.2 Trade and other receivables

We have identified discrepancies between the debtor balances of North Region Committee amounting to € 17. We did not propose an adjustment as this is immaterial.

1.3 Fixed assets

We have again noted shortcomings in the upkeep of the fixed asset register (refer to note 2.1).

1.4 LES Receivables

We again noted a difference between the LES receivables account and the report 622 issued from Loqus (refer to note 3).

1.5 Retention money held

The deposit of € 232.94 is charged for the building permit which is refunded to customers when the permit expires. The balance accumulates since 2005 which amounted to € 13,323.89. In 2024, a total of € 12,392 have been refunded with a remaining balance of € 931.89 still to be refunded. In 2025, a total of € 699 were refunded with a remaining balance of € 233.

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1.6 Trade and other payables

We did not note differences in the amount per alternative procedures performed for the samples selected.

1.7 Preparation of financial statements

We are pleased to note that the financial statements prepared by the Local Council this year is in conformity with International Financial Reporting Standards.

2 Fixed assets

2.1 Upkeep of fixed asset register

When reviewing the fixed asset register, we noted that relevant details like invoice number, location and depreciation for the year are missing. Furthermore, the description of the assets in the FAR does not always contain the desired detail.

We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:

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

An updated fixed asset register enables the council to exercise proper control over the council's property, plant, and equipment. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is updated.

3 LES Receivables

According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is € 41,350.21. Similar to last year, no amount is recognised as an LES receivable in the council's books of account and in the financial statements in this respect. We did not propose an audit adjustment to account for LES debtors since it has no effect on the financial statements as LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

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We reiterate our recommendation that the council takes the matter up with Loqus to determine what the correct balance is and then considers whether an adjustment should be passed in the council's books.

4 Deferred income

We have noted an income of € 9,115, which (1) was received in 2023 for a project that is still being implemented and (2) received in October 2025 for an event that occurred in February 2026. As at 31 December 2025, this amount should have been recognised as part of deferred income but was still recorded in the government income from public entities/agencies account. Adjusting entries were proposed to properly record the revenue earned relating to this event.

5 Specimen chart of accounts

It was noted that the account numbers in the trial balances do not agree to the specimen chart of accounts that is standard to local councils and regional committees.

We recommend that the chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will enhance comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.

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 Association. 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 Doriette Farrugia and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

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