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1. Previous Management Letter

The matters in respect of previous year management letter will be tackled in detailed under their respective sections.

2. Liquidity position

The Local Council is aware that is not meeting the financial targets imposed by the Local Council Department and that it has a negative liquidity position of € 38,121 as at 31 December 2025. There was a drastic improvement during 2026 since the waste management costs in relation to refuse collection and tipping fees are not longer paid by the Councils. The management accounts of Q2 show a surplus of € 46K and the net assets values have turned positive to the value of 35K.

3. Opening Balances

The Local Council has adjusted the opening balances issues. This was brought by the coding system in the Sage accounting software whereby expenses accounts when not coded as expenses in the accounting system.

4. Revenue

The Council accepts the auditor's finding regarding the misclassification of the cultural activities funding. The proposed audit adjustment of €55,000 has been fully reflected in the final financial statements for the year 2025 to ensure accurate disclosure.

5. Payroll

The Council will start to reclassify the employee bonuses from the standard salaries in its books of accounts.

6. Fixed Assets

6.1 to 6.2. The Council has given instructions to the accountants Parker Russell Turner to implement a plant asset registry in the Kalkara Local Council. Works on the FAR has started in 2021 and will be concluded in 2026. The issue is that the Council has several assets which were purchased long time ago and which are fully depreciated.

6.3 & 6.4. The Directive 1/2017 issued by the Local Government assumes that the Local has a fixed asset registry in place and that each asset bought was recorded. In view of the lack of a plant registry the Local Council could not work out the depreciation according to Directive 1/2017. In this respect the change to straight line method has been worked out based on the Fixed assets additions in the financial staments. This will be addressed when the fixed asset registry is complete.

7. Receivables

7.1 to 7.2 – The Local Council will adjust the amounts due from pending tribunal payments to agree to the Loqus system. The adjustment should not effect the retained earnings of the Local Council since there will be a reduction in income with a corresponding decrease in provision of bad debts.

7.3 to 7.4 – The Council accepts the auditor's finding regarding the overstatement of prepaid insurance and rent. The financial statements have been successfully amended to reflect the audit adjustments of €121.50 and €283.00, respectively, ensuring that expenses and current assets are accurately stated.

8. Cash and Cash equivalents

8.1 & 8.2 The Council accepts the auditor's observation regarding the uncashed cheque number 8869 (€4,036) on the BOV account ending 4010. The recommended adjustment to reverse the balance back to creditors has been formally approved by the Council and is fully reflected in the final audited financial statements. The finance team will immediately contact the creditor associated with cheque 8869 to determine why it was not cashed and arrange for a replacement cheque or electronic payment if the debt remains valid. If a payee cannot be reached and the liability is no longer enforceable, a formal schedule will be presented to the Council to approve writing the balance back to the respective expense account.

8.3 & 8.4 The Council accepts the auditor's finding regarding the bank reconciliation variance for BOV account number 50010708054. The audit adjustment to correctly remove the January 2026 deposit of €5,475 from the financial year's statements has been formally approved and implemented. The Local Council accountant will implement a rigid year-end cutoff checklist, explicitly checking that cash deposits and electronic transfers are recognized strictly based on the actual bank processing transaction date.

8.5 & 8.5 The Council accepts the auditor's finding regarding the €413.99 variance between the physical cash in hand and the general ledger balance. Management acknowledges that a definitive explanation was not available at the time of the audit confirmation procedures. We are currently performing a retrospective review of cash receipts and petty cash logs to identify the source of this discrepancy. This is most probably permits income pertaining to 2025 received and not yet deposited into the bank as at 31 December 2025.

9. Payables

9.1 & 9.2 - The Council will request creditors statements ongoingly during the year. The Council had in hand the main creditors statements as at 31 December 2025.

9.3. & 9.4 - The Council is aware of the long-term liabilities and of the liquidity problems. The Council is aware of the long outstanding creditors and confirms that there will take longer to be repaid in view of the tight budget. From the list, the major outstanding creditor is Regjun Port that the Council will be paying once the finances of the Local Council are in order.

9.5 to 9.7 - The difference found by the auditors in Regjun Port of € 12,022 is just a reclassification error. The creditors list includes an amount of € 12,022 to Regjun Xlokk. The Regjun Xlokk has changed its name to Regjun Port. Combining the balances of Regjun Port and Regjun Xlokk in the creditors list arrives to the balance of € 42,745 as confirmed by Regjun Port.

9.8 & 9.9 – The Local Council will reconcile Saviour Mifsud balance and account to the differences accordingly. Mr Saviour Mifsud used to forward invoices late and a reconciliation is needed to identify the difference of € 5,093. These are probably double invoices issued by Mr Mifsud which were not paid.

9.10 & 9.11 – The Local Council will ensure that payments effected will be against specific invoices and not payments on account.

9.11 & 9.12 - In respect of the Executive secretary performance bonus, when the accounts were prepared the LC did not have the approval from the DLG of the performance bonus. As stated by the auditors, an adjustment done and corrected in the final set of the financial statements. The Local Council will ensure that all information is given to the accountants for the calculation of accruals.

Mayor	Executive Secretary
Wayne Aquilina	Karen Scicluna