



**TARXIEN**  
Local Council

Tuesday, 18th March 2026

Mr. Chris Galea  
Director  
26, St Christopher Street  
Valletta  
Malta

Dear Mr. Galea,

**Re: Management Letter Response – Financial Year Ended 31 December 2025**

We refer to your Management Letter dated 18 March 2026 in relation to the audit of the financial statements of Tarxien Local Council for the year ended 31 December 2025 and would like to provide the following replies and clarifications.

**1. Joint Venture (5-a-side Football Ground Balances)**

Following your comments, meetings were held with the Compliance Unit and relevant documentation was retrieved from the Local Council archives. Communication was also initiated with the respective tax authorities.

It resulted that deregistration is not possible as the joint venture does not appear to have been formally registered. Notwithstanding, the joint venture had obtained all necessary approvals from the Department for Local Government at the time of its establishment.

It appears that, around 2020, following a change in administration, the joint venture may have been informally dissolved without following the appropriate procedures.

From our end, we will be seeking further clarification from our legal advisor and from the Permanent Secretary within the Ministry for Finance in order to regularise the tax position and formally close this matter.

Kindly refer to **Annex 1** for supporting documentation.

**2. Trade and Other Receivables (Loqus System / Report 622)**

With reference to discrepancies highlighted, we reiterate that the Local Council does not have full control over the Loqus system. While we acknowledge the Council's interest in ensuring accurate balances, the systems fall outside the Council's direct remit.

We therefore maintain that this matter requires a **joint approach between the Local and Regional Councils and the Department for Local Government.**

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Furthermore, with reference to previous correspondence, Loqus had indicated that an audit of the system was already carried out and is in the possession of the competent authorities. However, the Council does not have visibility of such audit.

We will be pursuing a **formal joint request together with the Department for Local Government** for access to this audit.

Kindly refer to **Annex 2** for further correspondence.

### 3. Payables (Long Outstanding Creditors)

The Council notes the comments raised. However, we reiterate that the necessary action had already been taken in April 2024, as documented in the Management Letter Reply for 2024 together with the relevant annexes.

The Council had formally decided that this balance should be written off, given that the amount dates to 2008, has never been claimed, and there is no reasonable expectation of recovery. The Council's accountant had also confirmed the write-off in line with this decision.

Should this balance still appear in the financial records, this is due to the trial balance not having been updated accordingly. The Council will instruct the appointed accountant to rectify this immediately and ensure that the amount is removed from the creditors listing in line with prior Council decisions.

Kindly refer to **Annex 3** for further supporting documentation.

### 4. Fixed Assets Register (FAR)

The Council acknowledges that the Fixed Asset Register requires updating. This exercise will be undertaken during the current year in conjunction with the implementation of a revised Chart of Accounts.

### 5. Government Grant Income

#### 5.1 Incorrect Recognition of Government Grant Income

The Council acknowledges the observation relating to the incorrect recognition of income and confirms that the necessary adjustments have been recorded accordingly.

Furthermore, internal procedures have been strengthened and a new SOP for income recognition has been identified and will be implemented to avoid recurrence.



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**5.2 Government Grant Income – Reversal of Prior-Year Accrued Income**

The Council acknowledges the observations raised.

It is standard accounting practice for prior-year accrued income to be reversed at the beginning of the following financial year, so that actual income received is recorded correctly when realised.

However, the Council notes that during 2024 there were changes in both the appointed accountant and the administrative officer responsible for financial matters and income recording. This may have resulted in gaps in reconciliation processes.

It is therefore possible that the accrued income balance related to income from schemes or reimbursements (including Infrastructure Malta works such as pavements), which were subsequently received and recorded during 2025. This may also be linked to the incorrect income recognition referred to in point 5 of the Management Letter.

The Council acknowledges that the supporting documentation and reconciliation were not adequately retained at the time.

To address this, a new Standard Operating Procedure (SOP) for income recognition and reconciliation has been drafted and will be implemented to eliminate such occurrences and strengthen financial controls going forward.

**Conclusion**

The Council remains committed to strengthening its internal controls and financial reporting processes. Where matters fall outside the direct remit of the Council, we will continue to engage with the relevant authorities to ensure appropriate resolution.

We trust the above clarifications are satisfactory.

Yours faithfully,

Joseph Abela Gaela

Mayor

Lianne Cassar

Deputy Executive Secretary