

The Mayor
Pembroke Local Council
Triq Alamein
Pembroke PBK 1776
Malta

Our ref: AB/mc/130026

29 April 2026

Dear Sir,

Financial statements for the year ended 31 December 2025

During the course of our financial statements audit for the year ended 31 December 2025, we have reviewed the accounting system and procedures operated by Pembroke Local Council (the 'local council' or '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 Fixed assets

We are pleased to note that the council has rectified the issues on its fixed assets register.

1.2 Presentation of revenue

We noted revenue was still accounted for in the incorrect classification of income (see point 2).

1.3 Revenue recognition

We are pleased to note that the council has rectified the issue relating to revenue recognition for the year.

1.4 Payables

We identified that the same issue relating to payables was also noted in the current year (see point 3).

2 Presentation of revenue

2.1 During our review of the revenue accounts, we noted that the council recorded several transactions amounting to €5,212 as "Funds received from Central Government". These amounts were mainly received from the Malta Tourism Authority and the Eastern Regional Council and relate to sponsorships and other income.

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- 2.2 The classification of sponsorship and other income under 'Funds received from Central Government' may result in inappropriate presentation and disclosure of revenue in the financial statements. This may reduce the clarity and transparency of the council's revenue streams and may not accurately reflect the nature and source of income received during the year.
- 2.2 We recommend that the council maintains consistency in recording its transactions to present a more accurate financial statements.

3 Payables

- 3.1 During our audit of the council's payables as of 31 December 2025, we requested direct confirmation of payables from third parties. Out of a sample of seven creditors, we were unable to send a request for direct confirmation to Jake Borg, for whom the council has an outstanding liability of € 32,185.
- 3.2 Management have informed us that these could not be sent due to on-going dispute with such third party. From the opening balance of €86,659, the Council settled amounts of €53,888 directly to Jake Borg and €787 to its legal counsel during the year.
- 3.3 We recommend that council follows up on the status of such claims and attempt to resolve any outstanding matters with the creditor. The balances should be either subsequently confirmed, or if not due, adjusted or reversed.
- 3.4 We further noted that during the creditor confirmation process, one creditor did not agree with the balance as recorded in the council's accounting records. The variance identified amounted to €1,903.
- 3.5 Discrepancies between creditor confirmations and the council's accounting records may indicate errors in the recording, reconciliation, or cut-off of payables. If left unresolved, such differences may result in misstatements of liabilities and affect the reliability of the council's financial information.
- 3.6 We recommend that the council investigates and reconciles the difference identified with the creditor to determine its underlying cause and ensure that the payables balance is accurately stated. Furthermore, we suggest that management strengthens its procedures for the timely reconciliation of creditor balances and the resolution of discrepancies identified through the confirmation process.

4 Receivable

- 4.1 During our audit of receivable, we noted two debtors which did not agree with the balances of the council.

Debtor	Per books €	Per confirmation €	Variance €
Water Services Corporation	4,200	-	4,200

- 4.3 Water Services Corporation receivable balance was fully provided for. We proposed to write off both the balances of the receivable and the provision made.



- 4.4 Unreconciled differences between debtor confirmations and the council's accounting records may result in misstatements in the presentation and classification of receivables. In addition, retaining long-outstanding or fully provided balances may overstate gross receivables and reduce the clarity of the council's financial position.
- 4.5 We recommend that the council performs timely reconciliations of receivable balances with third parties, ensures that balances are appropriately classified between trade receivables and accrued income based on their nature and periodically reviews receivables for recoverability and writes off balances that are no longer considered recoverable, together with any related provisions, to ensure accurate financial reporting.
- 4.6 We further noted that one debtor has not responded to the council's correspondence in relation to a long-outstanding balance amounting to €1,732, despite the council's continued follow-up efforts. The continued non-responsiveness of the debtor may indicate that the balance is doubtful. If not appropriately assessed, this may result in an overstatement of receivables and may not reflect the recoverable value of the asset.
- 4.7 We recommend that the council periodically reviews long-outstanding receivable balances to assess their recoverability. Where balances are considered doubtful, appropriate provisions should be recognised in line with the council's accounting policies to ensure that receivables are stated at their recoverable amounts.
- 5 Grant received in relation to asset already in progress**
- 5.1 We noted that the council recorded a grant amounting to €29,016 as a deferred liability. This grant relates to an asset that is already in progress. In line with the capital asset method, grants related to the acquisition or construction of capital assets should be recognised as a contra-asset account that reduces the carrying amount of the related asset. Recording the grant as a liability may affect depreciation calculations in the future and the matching of costs over the asset's useful life.
- 5.2 We recommend that management monitor the classification of grants related to fixed assets, including those still in progress, to ensure they are correctly recognised and to avoid misclassifications when the grant is realised.

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 Mr Kevin Borg and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,