National Audit Office
MALTA



Report by the Auditor General on the Workings of Local Government

2025

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Public Accounts 2025

Report by the
Auditor General
November 2026

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This report has been prepared under sub-section 108 (5) of the Constitution of Malta and sub-para. 5(ii) and para. 7 of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives.



Charles Deguara
Auditor General

The Auditor General is head of the National Audit Office, Malta. He and the National Audit Office are totally independent of Government. He examines the accounts of all Government Ministries and Departments and may also examine other public sector bodies. He also has statutory authority to report to the House of Representatives on the economy, efficiency and effectiveness with which Departments and other bodies have used the resources voted annually to them in the Estimates.

National Audit Office
November 2026

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List of abbreviations

ES	Executive Secretary
FAR	Fixed Assets Register
IFRSs	International Financial Reporting Standards
IT	Information Technology
LCA	Local Councils' Association
LES	Local Enforcement System
LESA	Local Enforcement System Agency
LGA	Local Government Auditor
LGD	Local Government Division
NAO	National Audit Office
VAT	Value Added Tax

Foreword

The 2025 Audit Snapshot, shown at page 2 of this annual National Audit Office publication, clearly illustrates the overall situation in the important area of local government in Malta and Gozo. An area that in many aspects touches upon the lives of our citizens; hence our Office's continued efforts to enhance the level of good governance across all Local and Regional Councils.

This year, I would like to focus on the critical issue of financial sustainability, one of the most critical objectives that should undoubtedly govern the work and initiatives of every local government entity.

On one side, the National Audit Office notes with satisfaction the positive overall trend in the financial performance of local government entities, with more Councils ending the financial year in a surplus position and with a positive working capital. Surely a big step in the right direction.

On the other hand, however, the persistent weaknesses noted in the existing internal control frameworks are an issue of concern to our Office. Indeed, recurring shortcomings identified throughout our audit analysis evidence the urgent need of further efforts on the part of certain Councils to strengthen control mechanisms, without which financial sustainability cannot be effectively attained.

Once again, I would like to convey my heartfelt appreciation to the hard work and commitment shown by our small but highly competent and dedicated local government audit team, within our Financial and Compliance Audit Section. Thanks also to our Local Government Auditors for their work with the respective Local and Regional Councils.

Finally, I would like to reiterate my strong conviction that it is of critical importance that the National Audit Office continues to work closely with, and extend its collaboration to, the main stakeholders engaged in the area of local government, namely the Local Government Division, the Local Councils' Association and the National Association for Local Councils and Regional Executive Secretaries (ANSEK). Such cooperation leads to the desired improvements and good governance that are so essential for our citizens to regain their trust in our Councils.



Charles Deguara
Auditor General
November 2026

2025 Audit Snapshot

From a total of **75** Local Authorities, **53** Local Councils, **6** Regional Councils and the Local Councils' Association submitted their audited financial statements. Those of **15** Local Councils did not reach the National Audit Office by the end of October 2026, being the ultimate deadline set for the analysis of the respective financial statements prior to the publication of this Report.

60 Audit Opinions submitted to the National Audit Office



24 Local Councils, **1** Regional Council and the Local Councils' Association had a **clean** audit opinion



27 Local Councils and **5** Regional Councils were issued with a **qualified** audit opinion



Birgu and **Żebbuġ (Malta)** Local Councils received a **disclaimer** of opinion

Financial Sustainability

Strengthening of Councils' financial position: Positive overall trend in Councils' financial performance, with more Councils ending the financial year in a surplus position and with positive working capital.

Persistent weaknesses in internal control frameworks: Recurring deficiencies suggest that further efforts are needed to strengthen control mechanisms.

Response to the Management Letter

All Authorities whose financial statements were finalised by 18 September 2026; allowing for the six-week response period, had submitted their responses to the respective management letters by the end of October, being the ultimate deadline set for the analysis of the management letters prior to the publication of this Report.

Compliance Audits undertaken by the National Audit Office

The National Audit Office completed two compliance audits at Qormi and Żebbuġ (Malta) Local Councils.

Lack of compliance was principally evident in the areas of procurement, human resource management and administrative procedures.

Main Weaknesses

- Accounting errors, included but not limited to weaknesses in cut-off procedures, incorrect accounting treatment of grants and misclassification of various transactions in the books of account.
- Persistent shortcomings in fixed asset management, particularly in maintaining adequate asset registers, reconciling asset balances and correctly accounting for capital expenditure and associated grants.

*** Figures related to prior years were extracted from the financial statements received by this Office within the respective deadline.**

Local Government in Malta

1. Local Government framework

Contextual background

Established in 1993 and subsequently given constitutional recognition through an amendment in 2001[1], Malta's Local Government sector represents the level of public administration closest to citizens. Through their direct interaction with residents and communities, Local and Regional Councils play an important role in addressing local needs and supporting the social and environmental wellbeing of their localities. Their responsibilities extend beyond the administration of public funds to encompass a wide range of matters that directly impact the quality of life within their communities.

Entrusted with the management of public resources, Councils are expected to discharge their functions in accordance with the applicable legislative and regulatory framework while adhering to the principles of good governance, transparency, and accountability. Their effectiveness depends not only on clearly defined roles and responsibilities but also on their capacity to utilise resources responsibly, manage operational challenges, and deliver services that respond to local priorities.

Composition of the Local Government sector

The Local Government sector comprises Local Councils, Regional Councils, and the Local Councils' Association (LCA), each performing a distinct role within Malta's system of local administration and community development. Figure 1 provides an overview of the sector's composition.

Figure 1: Local Government sector composition

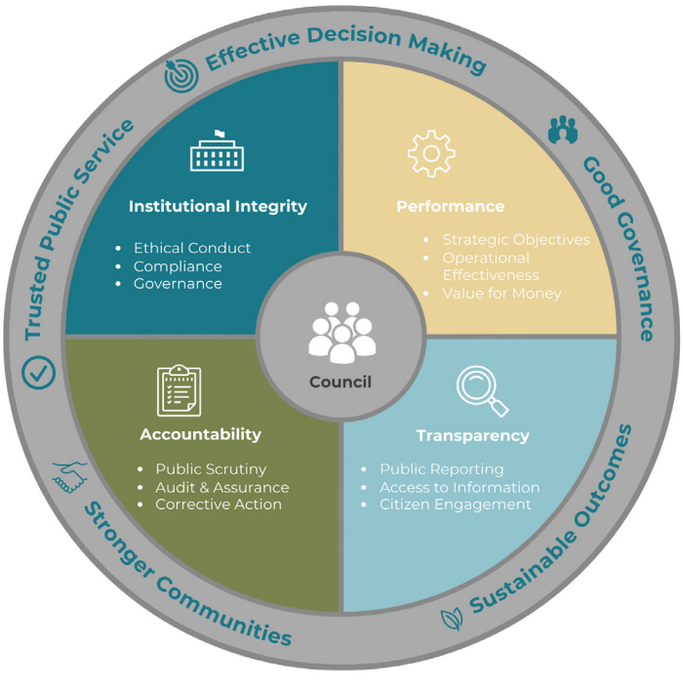


[1] Constitution of Malta (1964), Article 115A.

Local Councils operate through two complementary arms: the political arm, comprising elected Mayors and Councillors, and the executive arm, led by the Executive Secretary (ES) and supported by the Council's administrative staff. Elected representatives are responsible for determining the Council's policies, priorities, and strategic direction, while the ES's Office is responsible for implementing these decisions and managing the Council's executive, administrative, and financial functions. The Mayor serves as the official representative of the Council, chairs Council meetings, and oversees Council activities in accordance with the Local Government Act (Cap. 363).

This structure brings together democratic representation and professional administration, with the aim of supporting effective institutional integrity, accountability, transparency, and service delivery. Clearly defined responsibilities, together with appropriate governance arrangements and sound financial management practices, are essential to ensure that Councils achieve their objectives through responsible use of public resources. Figure 2 refers.

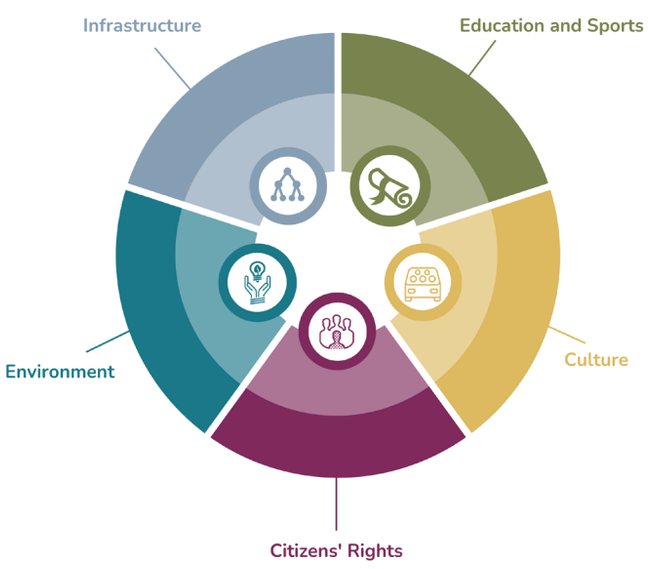
Figure 2: Governance effective system



Functions and services

Over the years, the responsibilities assigned to Councils have evolved in response to changing community needs. Local Authorities are consequently required to manage a range of administrative, financial and operational responsibilities whilst maintaining appropriate standards of good governance and accountability. The functions and legal powers of Local Councils, which underpin Malta's local government system, are established under Article 33 of the Local Government Act. Their responsibilities extend across a diverse range of areas, as outlined in Figure 3.

Figure 3: Local Councils' principal community services[2]



Education and Sports
- Ensuring the effective concept of lifelong learning with all residents by providing such service within the same locality.
- Provision and maintenance of local libraries.
- Organisation of sports and physical activities, whilst providing support to sports persons.

Culture
- Cultural activities for residents of all ages.
- Assistance to artists and musicians from the locality.

Citizens' Rights
- Providing information relating to the rights of citizens in general.

Environment
- Protection of the natural and urban environment of the locality.

Infrastructure
- In conjunction with any competent authority to maintain the upkeep of public conveniences, roads including road sweeping and cleaning of road signs and lights, educational building, health and rehabilitation centres, Government dispensaries, day care centres for senior citizens, children playgrounds, public gardens and other leisure centres.

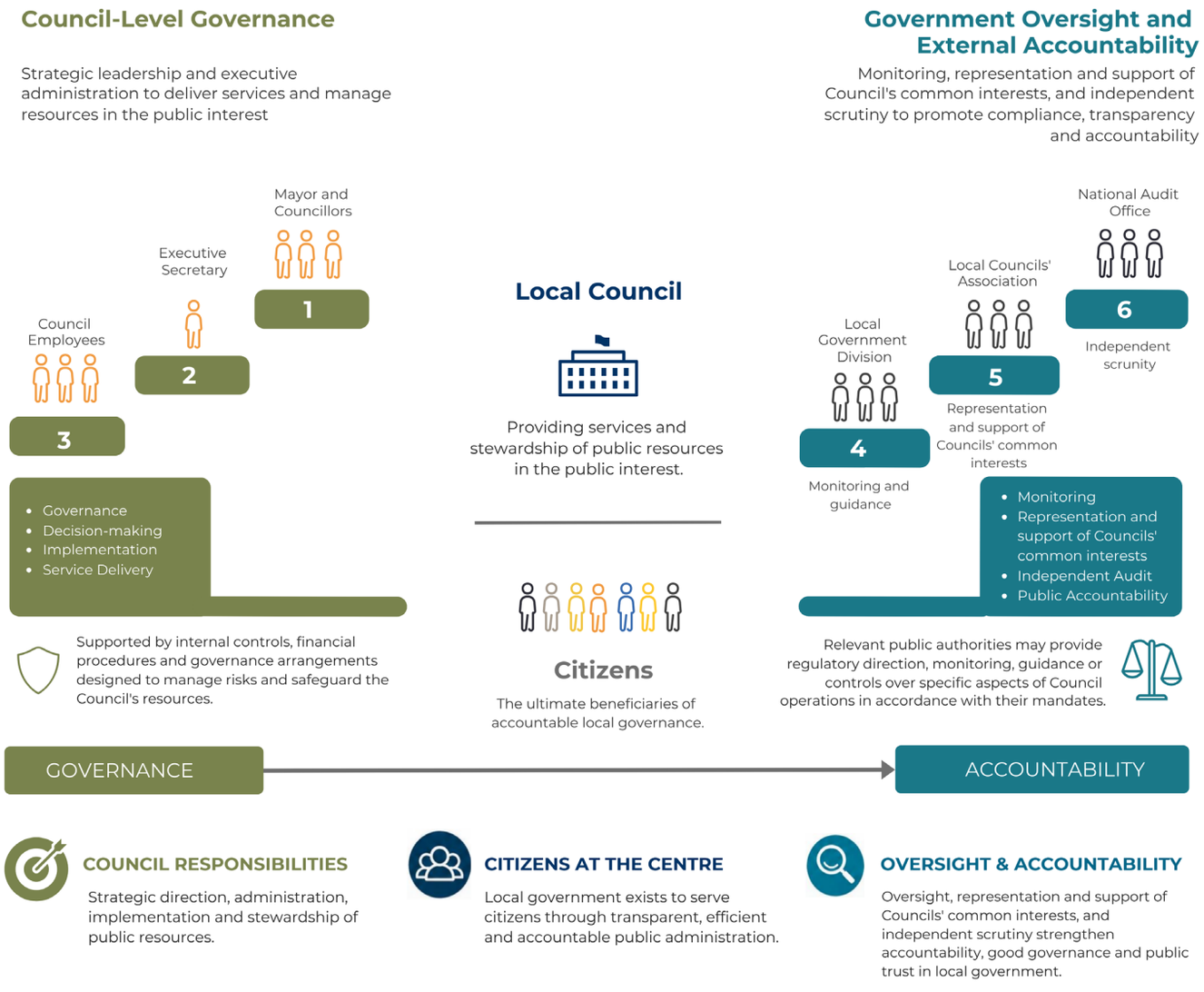
Councils are also responsible for managing a range of internal administrative and financial activities that are essential to their day-to-day functioning. These include financial planning, budget preparation, procurement, expenditure monitoring and controlling, maintenance of accounting records, and preparation of financial statements. The effective administration of these responsibilities is key for Local Authorities as their activities are funded through public resources, making it essential that such funds are managed efficiently, responsibly, and with accountability.

Governance and oversight

The effective functioning of Local Government is supported by a framework of governance and oversight mechanisms operating at different levels, as outlined in Figure 4. These mechanisms are intended to promote accountability, ensure compliance with applicable laws and regulations, safeguard public resources, and provide reasonable assurance that Local Authorities are managed effectively, and conduct their operations in accordance with their statutory responsibilities.

[2] As per Article 33 of the Local Government Act.

Figure 4: Oversight mechanism



The different levels of oversight are therefore complementary. While responsibility for the day-to-day management of a Council rests primarily within the Council itself, the Local Government Division's (LGD) supervision and independent external scrutiny conducted by the National Audit Office (NAO) provide additional assurance and contribute to the overall accountability of the Local Government sector. In this regard, LCA, established in 1994, also plays an important role in representing and supporting the common interests of Malta's Local and Regional Councils. Through its efforts to improve coordination among Councils, strengthen communication with Central Government, provide guidance on sound administrative practices, and offer training opportunities, the Association contributes to enhancing the effectiveness and capacity of Local Councils. Alongside these institutional mechanisms, active citizen involvement contributes to strengthen accountability within the local government. Through participation in local affairs, members of the community can monitor the actions of their representatives, voice their concerns, and participate in shaping policies and decisions that reflect their needs.

Financial management

Pursuant to Article 55 of the Local Government Act, Local Government bodies are funded by Central Government through an annual budgetary allocation. This funding is intended to enable the Local Authorities to carry out their statutory functions and responsibilities. The financial allocation is computed on the basis of the funding formula set out in the Eighth Schedule of the Local Government Act.

For financial year 2025, Regional Councils were provided with a direct allocation for waste collection and tipping fees. However, the two funding components were treated differently. While the amount relating to tipping fees was deducted from the allocations due to Local Councils, the amount relating to waste collection continued to form part of their allocations. This arrangement reduced the administrative workload associated with the related calculations and invoicing, while Local Councils continued to oversee the delivery of these services in collaboration with the Regional Councils, and in accordance with the respective contractual arrangements.

The total direct allocations provided for financial year 2025 are presented in Table 1, while the income received by each individual Council during the same period is detailed in Appendix A.

Table 1: Annual allocation to the Local Government sector

Local Councils	€41,005,547
Regional Councils	€4,000,000[3]
Local Councils' Association	€800,000[4]

To render a fairer distribution, additional funds of €436,000, beyond the direct allocation, were to be disbursed among Local Councils facing specific exigencies[5]. Details of the allocation, which was not automatic, are provided in Appendix B. Councils were required to apply for these additional funds by submitting a detailed plan as outlined in LGD Circular No. 06/2024 'Allokazzjoni Finanzjarja għall-2025'. LGD's Monitoring Directorate was tasked with reviewing the use of the supplementary funds granted in the previous year and subsequently approving the

[3] Besides the €1 million specifically allocated to cover waste collection expenses.

[4] The total represented an increase of 63.27% over the preceding year.

[5] An amount of €186,000 was distributed among the designated tourist localities, with the remaining amount of €250,000 allocated between 11 localities.

supplementary allocation of the year in question. According to LGD, out of the 26 Councils eligible for the extra funding, only 24 received it; the remaining two did not apply for additional financing. A total of €413,000 was disbursed in this regard.

In view that government allocations represent the major source of funding, effective financial management is essential to ensure that these resources are properly managed, controlled, utilised and accounted for. This includes maintaining appropriate internal controls, monitoring the use of allocated funds, and preparing accurate and timely financial statements in line with International Financial Reporting Standards (IFRSs). The financial statements provide an important mechanism for demonstrating how government funding has been utilised and for ensuring transparency and accountability to relevant stakeholders.

Audit framework

Independent auditing is a key component of the accountability framework within Local Government, providing an objective assessment of the management of financial affairs and compliance with the applicable requirements. In accordance with its constitutional mandate, NAO independently examines the management and use of public funds by Local and Regional Councils, as well as LCA. Through financial and compliance audits, NAO audit work provides assurance on the reliability of financial information, adherence to the relevant regulatory framework, and the appropriate use and stewardship of public resources.

Financial audits are undertaken by independent private audit firms, known as Local Government Auditors (LGAs), on behalf of the Auditor General. These firms are selected through a public procurement process[6] and are responsible for planning and carrying out the audits in accordance with the International Standards on Auditing, focusing on:

a. assessing risks of material misstatements and designing appropriate audit procedures;
b. obtaining an understanding of internal controls and evaluating accounting policies;
c. determining the reasonableness of accounting estimates and related disclosures;
d. evaluating the Councils' ability to continue as a going concern; and
e. ensuring that the overall presentation of financial statements complies with IFRSs.

The timely preparation and publication of clear, reliable and high-quality audit reports depend not only on the auditors' technical expertise, but also on adequate preparation and effective cooperation between the respective Councils and audit teams. Maintaining open and regular communication, together with appropriate planning, facilitates the early identification of potential issues and helps minimise disruptions to the audit process.

Alongside the financial audits, NAO also undertakes compliance audits of selected Local Councils. To this effect, NAO carried out compliance audits at two Local Councils; Qormi and Żebbuġ (Malta).

[6] A new call for tenders was published on 13 May 2026.

The findings arising from the audit work, including the respective audit opinions, observations and recommendations, are communicated through the established reporting mechanisms. These include the issuance of management letters, through which matters requiring attention are formally brought to the Councils' attention. Councils are expected to review the issues raised thereto and implement appropriate corrective measures. The responses to management letters provided by Councils are therefore an important element of the overall accountability process, as they demonstrate what action is being taken to address the shortcomings and improve existing practices and controls.

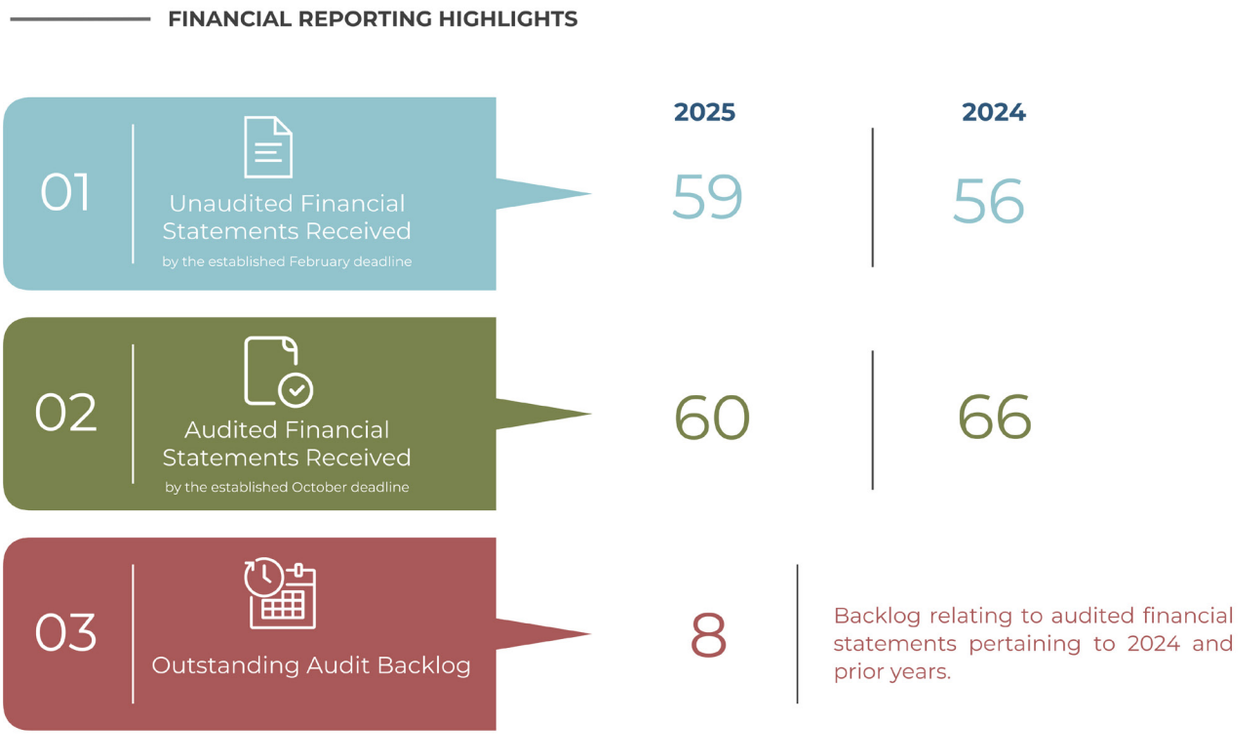
The detailed findings resulting from the financial and compliance audit work are presented in the following chapters of this Report.

Conclusion

Local Authorities operate within a framework that integrates together decision-making and service delivery with financial management, governance, transparency and accountability. This framework recognises that weaknesses in any one of these areas may ultimately affect outcomes in others. This chapter has established the context for the assessment undertaken throughout the remainder of the Report. The next chapter outlines the preparation, timeliness, and submission of financial statements, providing an initial assessment of financial reporting practices within local government.

2. Financial reporting performance across Local Government

Figure 5: Chapter highlights



Sound financial reporting is a key aspect of accountability and good governance in the public sector. Financial statements enable stakeholders to assess the financial health and operational results of Local Authorities and provide greater visibility over the use of public resources. The availability of accurate financial information within the required timeframes also allows those with oversight and governance responsibilities to carry out their functions effectively and make well-informed decisions.

The local government financial reporting framework sets out the requirements and prescribed timeframes for the submission of financial statements. These requirements apply to both unaudited and audited financial statements. Meeting the established deadlines is important not only for ensuring compliance with the established deadlines, but also for enabling audits to progress efficiently and strengthening financial accountability.

This chapter highlights the financial reporting performance of Local Authorities for financial year ended 31 December 2025. The analysis considers the extent to which reporting deadlines were met, with particular emphasis on the timeliness of submissions of the unaudited and audited financial statements.

Financial reporting framework

Local Councils, Regional Councils and LCA are required to prepare annual financial statements in accordance with the applicable legislative and regulatory framework. The reporting process begins with the preparation and submission of the unaudited financial statements, which are to be signed by the respective Mayor or President, as applicable, together with the ES. The latter is responsible for ensuring that the financial statements are prepared in accordance with the requirements of IFRSs and comprise the following:

- Statement of the Council Members' and ES's Responsibilities
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

These statements are then subject to an independent financial audit. Following completion of this assignment, the audited financial statements are presented to the Council for its approval during a formal Council meeting. These are subsequently co-signed by the Mayor or President, as applicable, and the ES, and submitted to NAO and LGD. The financial reporting cycle is summarised in Figure 6.

Figure 6: Reporting cycle



Timely financial reporting is not merely a procedural requirement but an important element of good governance, supporting transparency, accountability and public confidence in local administration. Conversely, any delays may hinder effective scrutiny and reduce the relevance of financial information for decision-making purposes.

Effective audit engagements require cooperation and responsiveness from both the Local Authority and the appointed auditor. The Local Authority should ensure that relevant records and supporting documentation are complete and available when required, respond promptly to audit queries, and maintain clear communication

throughout the engagement. This is particularly important as audits are generally scheduled within designated time slots. Delays in providing the required information may disrupt the planned audit schedule, potentially making it more difficult for the auditor to accommodate the audit within an alternative timeframe.

The appointed auditor is likewise expected to progress the engagement efficiently and address outstanding matters in a timely manner. A coordinated approach by both parties is therefore essential to minimise delays and facilitate the completion of the audit within the required reporting timeframe.

Submission of unaudited financial statements

NAO acknowledges that a significant number of Local Authorities, comprising 53 Local Councils, 5 Regional Councils and LCA, submitted their unaudited financial statements to the Auditor General by the prescribed deadline of 27 February 2026. This represents an improvement over the previous year.

Notwithstanding this positive development, some Local Authorities continued to experience delays in finalising and submitting their unaudited financial statements within the established deadline. The financial statements of another eight Councils were received by this Office by the third week of March 2026, while those of a further two Councils were submitted at a later stage.

By the time this Report went for publication, i.e., mid-November 2026, six Local Authorities had not yet presented their unaudited financial statements for 2025.

Submission of audited financial statements

Despite the efforts made by NAO and LGD in chasing defaulters, the audited financial statements for financial year 2025 of 15 Local Councils were not submitted to this Office by end October 2026, being the ultimate deadline set for the analysis of the respective accounts prior to the conclusion of this Report for publication.

Some of the delays were attributable to audits relating to earlier financial years remaining outstanding or having been finalised at a later stage. Such backlog affected the subsequent audit cycles, including that for financial year 2025, in certain cases even limiting the time available for the completion of the necessary audit work. As at end-October 2026, due to a variety of reasons, the audits for both financial years 2024 and 2025 remained outstanding in the case of Għasri, Ħamrun, Qala, San Ġiljan, Ta' Xbiex and Xewkija. Moreover, in the case of Ħamrun and Ta' Xbiex, the audit for financial year 2023 was also not concluded.

NAO considers the timely completion of financial statements and their subsequent audit to be an important element of sound financial governance and accountability. Continued delays may hinder the effective oversight of Local Authorities and the timely availability of reliable financial information to stakeholders. NAO therefore reiterates the importance of Local Councils addressing outstanding financial reporting and audit matters without undue delay.

Key observations emerging from financial reporting performance

The financial reporting outcomes noted during the year under review provide useful insights into the broader governance and accountability practices within the local government sector.



The higher level of timely submissions of unaudited financial statements indicates a growing recognition among Local Authorities of the importance of meeting established financial reporting requirements.



The performance of Local Authorities that have consistently complied with financial reporting deadlines demonstrates that timely preparation and submission of financial statements is achievable. This is supported by regularly maintained and updated financial records, together with the timely preparation of management accounts.



Notwithstanding the progress achieved, delays in the completion and submission of audited financial statements continue to be observed. These delays may be attributed to factors such as limited resources and difficulties in providing, in a timely manner, the supporting records and documentation required to facilitate the audit process.



NAO also notes that, in certain instances, improvements in the timeliness of submissions were accompanied by weaknesses in the quality of the financial information provided. Some unaudited financial statements contained errors and required further amendments, indicating that greater attention is required to ensure that financial statements are submitted within the established timeframe and meet the expected standards of accuracy and completeness.

Conclusion

Financial reporting remains an area requiring ongoing attention. Continued commitment by Local Authorities, together with sustained support from the relevant stakeholders, will be necessary to further strengthen financial accountability and build on progress achieved to date.

3. Financial position and audit outcomes

Figure 7: Financial health snapshot[7]



Financial statements constitute a key accountability mechanism within the local government framework. In addition to meeting the applicable legal and reporting obligations, the financial statements enable stakeholders to assess a Local Authority's financial position, performance and ability to remain financially sustainable over time.

The analysis in this chapter is based on a set of financial measures aimed at assessing the financial position of Councils and identifying areas requiring closer consideration. The indicators examined include cash and cash equivalents, working capital, and operating performance. Collectively, these measures provide insight as to whether Councils have sufficient resources to meet their financial commitments and sustain service in the foreseeable future.

The financial assessment is complemented by a review of the audit opinions accompanying Local Authorities' financial statements. An audit opinion reflects the auditor's conclusion following the examination of the financial statements and the supporting documentation. It indicates whether, in the auditor's view, the financial statements

[7] Figures presented are based on the audited financial statements received by end October 2026, being the ultimate deadline set for the analysis of the financial statements, for the timely publication of this Report.

have been prepared in accordance with the relevant financial reporting framework and whether they are free from material misstatement. The audit opinions provide further insight into the reliability of the financial information reported, while any qualifications or matters highlighted by the auditor provide additional context when assessing the financial results.

Thus, the financial indicators and audit opinions considered together provide a wider perspective on the financial position of the local government sector, as they offer insight not only into the Local Authorities' financial capacity and performance, but also into the extent to which the financial statements prepared are reliable and complete.

Cash and cash equivalents

Cash and cash equivalents represent the most liquid resources available to Councils and therefore constitute a key indicator of short-term financial capacity. Maintaining adequate cash resources enables Councils to meet routine operating costs, address unexpected expenditure and ensure the continued delivery of essential services to residents.

Table 2 illustrates the cash and cash equivalent balances reported by Local Councils during the year under review. For analytical purposes, cash and cash equivalent balances have been considered in relation to the respective annual allocation, with Councils grouped into percentage bands based on the ratio of year-end cash and cash equivalents to their annual allocation. This approach provides an overview of the distribution of cash holdings across Local Councils relative to the level of annual funding received. Whilst certain Councils held comparatively higher levels of readily available funds, others operated with considerably lower levels of liquid resources. These variations may be influenced by several factors, including the size of the individual Councils, their operational requirements, expenditure commitments, ongoing projects and the level of reserves accumulated over time.

The analysis indicates a shift towards higher cash-to-allocation brackets in 2025, suggesting an overall improvement in Councils' cash positions. While this may indicate a positive development, due consideration should also be given to the effective utilisation of available funds. Substantial cash balances that are not supported by planned or ongoing projects may indicate scope for more effective resource allocation.

Table 2: Balance of cash and cash equivalents[8] as a percentage of Government allocation

Cash and cash equivalents as % of annual allocation	Number of Local Councils as at end 2025	Number of Local Councils as at end 2024
Below 25%	6	8
25% - 49%	7	9
50% - 74%	6	9
75% - 99%	8	6
100% - 150%	9	9
Above 150%	17	12

[8] Cash and cash equivalents at year-end include bank balances and any term deposits as shown in the financial statements. These are shown net of any overdrawn amounts, as well as short and long-term bank borrowings. Only Local Councils that submitted the audited financial statements by the end of October 2026 are included in this table.

Positive results arising from the proactive measures undertaken by Local Government Division

The meetings held by the Finance and Procurement Compliance Directorate within LGD, between March and October 2025, with Councils that had reported negative working capital and/or a deficit at the end of financial year 2024 yielded positive results. This was reflected in an increase in the number of Councils whose financial position improved during 2025 compared to the preceding year.

The forgoing Directorate remained committed to engage with Local Authorities whose deteriorating financial position continued to raise cause for concern. In this regard, in 2026, meetings were held with 19 Councils to discuss the financial challenges encountered during the preceding year and identify measures to improve their financial sustainability. Discussions highlighted concerns regarding expenditure control, delays in recovering funds for projects co-financed by third parties and considerable cost increases that were not matched by proportionate growth in income. Consequently, the Directorate stressed the importance of establishing a Finance Committee[9] in accordance with the Local Government (Procedures) Regulations (S.L. 363.12) and as also outlined in Memo No. 4/2015 'Kumitatt tal-Finanzi' issued by the former. Such Committee would strengthen financial scrutiny by introducing a structured process for reviewing and monitoring the Council's spending, ensuring that expenditure is managed in accordance with approved budgetary provisions.

Working Capital position

Another key financial ratio is the working capital ratio, as it provides insight into the Local Council's ability to meet its short-term financial obligations and support its day-to-day operations. This ratio considers current assets in relation to current liabilities, thereby providing a broader view of the Council's short-term financial position.

Current assets are those expected to be converted into cash or otherwise utilised within the next financial year such as stocks and debtors, while current liabilities comprise obligations that are due to be settled within the same period, including creditor balances. A working capital ratio of one or higher generally indicates that the Council has sufficient current assets to cover its current liabilities as they fall due. Maintaining an adequate level of net current assets is important to support the continuity of operations. However, excessive balances may result in an opportunity cost, as the resources could potentially be used elsewhere.

Table 3 presents the Councils that reported negative working capital at the end of 2025[10], together with comparative figures for the preceding two years. While a negative working capital position does not necessarily indicate immediate financial distress, it warrants continued monitoring given its potential implications for the Council's ability to meet its short-term obligations as they fall due.

[9] The Committee is to be composed of the Mayor, the ES and a Councillor. Where neither the ES nor the Councillor is a qualified accountant, an accountant is to be appointed as an additional member of the Committee.

[10] As at 31 December 2024, 18 Local Councils registered a negative working capital.

Table 3: Councils recording a negative Working Capital as at end of 2025[11]

Council	31 December 2025	31 December 2024	31 December 2023
	€	€	€
Attard	(706,966)	(543,376) [a]	(217,980)
Dingli	(280,459)	(225,078) [a]	(50,402)
Fgura	(107,880)	146,771	580,566
Kalkara	(38,121)	(40,796)	(188,266)
Marsa	(59,971)	(109,018)	4,254
Mosta	(1,014,200)	(803,638)	(217,225)
Paola	(75,738)	114,037	667,119
Qormi	(294,490)	(643,896) [a]	457,236 [b]
Rabat (Gozo)	(92,328)	(113,839)	(2,441)
Rabat (Malta)	(18,191)	(95,124) [a]	(160,522)
Santa Luċija	(11,501)	(25,499)	(22,003)
Swieqi	(11,638)	58,070	214,977
Żebbuġ (Gozo)	(148,080)	(157,712)	(121,047)

[a] As restated in 2025
[b] As restated in 2024

As evidenced in Table 4, five[12] Councils moved from a negative working capital position in 2024 to a positive position in 2025. This represents an improvement in their short-term financial position.

Table 4: Councils moving from negative to positive Working Capital in 2025[11]

Council	31 December 2025	31 December 2024	31 December 2023
	€	€	€
Birgu	212,682	(22,690)	83,607
Birkirkara	209,540	(203,998)	(215,882)
Marsaxlokk	204,960	(59,569)	65,225
Msida	113,970	(152,435)	24,947
Xgħajra	55,742	(35,200)	(83,831)

Operating results

The annual operating result provides an indication of whether the income generated during the year was sufficient to cover the operating expenditure. However, a deficit in a particular financial year should not, in isolation, be interpreted as an indication that the Council is facing financial difficulties. The assessment should take into account the accumulated reserves, since positive reserves may provide the Council with a financial buffer. With the exception of Kalkara Local Council, that continues to face a long-standing financial challenge, all Councils reporting a deficit had sufficient reserves to absorb it.

[11] Figures disclosed in Tables 3 and 4 were computed on amounts as reported in the Statement of Financial Position, even though instances were encountered whereby these were either not correctly classified or did not tally with the balances recorded in the respective Notes to the Financial Statements. No adjustments in relation to deferred income and other funds restricted to particular projects were made.

[12] The audited financial statements of a further three Councils, which had reported negative working capital in the previous year, were not received by the final deadline of 31 October 2026.

Table 5 discloses the localities that incurred a deficit during 2025, the corresponding figures for the previous two years, as well as the accumulated retained earnings for the past three financial years[13].

Table 5: Councils ending financial year 2025 with a deficit[14]

Councils	Surplus or Deficit			Retained Earnings as at		
	1 January - 31 December 2025 €	1 January - 31 December 2024 €	1 January - 31 December 2023 €	31 December 2025 €	31 December 2024 €	31 December 2023 €
Attard	(22,938)	(181,458)	(72,168)	3,273	26,211	207,669
Bormla	(1,741)	(68,842)	(6,023)	550,735	552,476	621,318
Dingli	(25,708)	(178,199) [a]	(108,832)	246,741	272,449 [a]	465,397
Fgura	(116,916)	(364,044)	(62,647)	1,266,607	1,383,523	1,747,567
Floriana	(59,717)	(63,847)	(19,199)	659,401	719,118	782,965
Fontana	(17,184)	4,518	45,650	418,554	435,738	431,220
Għaxaq	(34)	(106,817)	(25,862)	461,818	461,852	568,669
Gudja	(50,905)	24,013	(14,305)	614,321	665,226	641,213
Kalkara	(527)	141,440	(34,487)	(11,432)	(10,905)	(152,345)
Mġarr	(42,573)	(58,463)	(60,841)	793,154	835,727	894,190
Mosta	(21,873)	(482,699)	(317,023)	548,102	569,975	1,052,674
Mtarfa	(5,037)	198	12,229	243,309	248,346	248,148
Santa Luċija	(334)	11,591	(103,551)	159,649	159,983	148,392
Santa Venera	(89,569)	(196,799)	(288,147)	367,895	457,464	654,263
Swieqi	(7,419)	(155)	42,281	527,096	534,515	534,670
Żebbuġ (Gozo)	(10,575)	(105,879)	(90,739)	402,515	413,090	518,969
Żebbuġ (Malta)	(104,466)	23,964	(25,695)	916,858	1,021,324	997,360
Żurrieq	(120,394)	(177,849)	(30,944) [b]	1,637,602	1,757,996	1,935,845 [b]

[a] As restated in 2025
[b] As restated in 2024

The analysis also identified 22[15] Local Authorities that reported deficits in the preceding year but achieved a surplus during the current reporting period as shown in Table 6. Such improvements may indicate the successful implementation of corrective measures aimed at addressing previous financial challenges.

[13] In 2024, 36 Local Authorities reported a deficit.

[14] Figures disclosed in Tables 5 and 6 were based on the amounts reported in the Statement of Comprehensive Income, even though instances were encountered whereby these figures did not tally to the balances recorded in the respective Notes to the Financial Statements.

[15] The audited financial statements of a further two Councils, which had reported a deficit in the previous year, were not received by the final deadline of 31 October 2026.

Table 6: Councils registering a surplus over the preceding year's deficit[14]

Councils	Surplus or Deficit		
	1 January - 31 December 2025	1 January - 31 December 2024	1 January - 31 December 2023
	€	€	€
Balzan	74,534	(27,453)	25,728
Birgu	210,213	(64,192)	38,118
Birkirkara	256,808	(57,878)	74,712
Birżebbuġa	44,987	(126,305)	(184,111)
Iklin	17,078	(27,172)	(15,872)
Luqa	41,322	(198,642)	(103,358)
Marsa	62,441	(113,565)	(97,410)
Marsaskala	14,830	(104,015)	(5,542)
Marsaxlokk	251,036	(93,031)	(112,733)
Mellieħa	64,673	(207,099)	(64,331)
Msida	281,645	(216,785)	(454,715)
Paola	51,125	(228,109)	34,511
Pembroke	201,752	(104,200)	(146,784)
Qormi	69,109	(131,107)	(214,350)
Rabat (Gozo)	40,309	(4,000)	118,010
Rabat (Malta)	348,287	(57,098) [a]	(355,609)
San Ġwann	164,174	(70,333)	(43,346)
San Pawl il-Baħar	252,908	(927,464)	202,872
Xagħra	29,642	(70,252)	30,973
Gozo Regional Council	444,612	(33,808)	(360,809)
Western Regional Council	23,823	(264,522)	197,162 [b]
Local Councils' Association	123,572	(100,389)	26,725

Audit opinions

Apart from Birgu and Żebbuġ (Malta), which received a disclaimer of opinion, another 32 audit reports, out of the 60 received, were qualified with an 'Except For' audit opinion for financial year 2025. Table 7 shows the respective figures for the past three years.

Table 7: Audit opinions

	Clean audit opinion	'Except For' audit opinion	Disclaimer
2025	26	32	2
2024	28	37	1
2023	33	31	-

Clean audit opinion – Financial records presented fairly the Council's financial position and financial performance and that these have been prepared in accordance with IFRSs.

'Except For' audit opinion – LGA was unable to audit certain areas due to restrictions imposed which were beyond their control or the financial statements contained material but not pervasive errors.

Disclaimer – LGA was unable to obtain sufficient and appropriate evidence to form an audit opinion, often due to significant limitations or uncertainties in the financial records. The possible effects of undetected misstatements may be both material and pervasive to the financial statements.

Two Local Councils received a Disclaimer of Opinion illustrating an urgent need for a review of their operational procedures

Birgu Local Council has been subject to a disclaimer of audit opinion for at least twelve consecutive years, whereas Żebbuġ (Malta) was subject to a disclaimer for the first time in 2025. In both cases, this situation necessitates a much higher degree of accountability on the part of the respective Councils. Thus, this Office strongly recommends that urgent action be taken to address these issues, since such situation is undoubtedly untenable.

Birgu Local Council

Other Government income – Included with other Government income and accrued income is an amount of €80,720 relating to grants received in respect of capital projects. Of the foregoing amount, €56,428 pertained to assets capitalised by the Council in 2022 and 2023. However, the corresponding release from deferred income was not accounted for in the respective accounting periods and under the appropriate financial statements line item. Consequently, income and property, plant and equipment were not properly reported. Furthermore, due to the time lapse, LGA could not confirm whether the above amount remained receivable from the contracting authority and, consequently, whether the accrued income is properly accounted for.

Receivables – Included under trade and other receivables was a long-outstanding amount of €7,435 which was brought forward from prior years. Sufficient evidence or explanations were not provided to confirm that the amount was still recoverable. Furthermore, included under other debtors was an amount of €5,421, representing debit balances in the creditors list brought forward from previous years. The Council stated that the balance pertained to advance payments made to suppliers for purchases which remained unclaimed. However, no supporting documentation was made available in this regard.

Funds received from the European Union – Audit procedures carried out revealed that income amounting to €70,540, relating to prior periods, was recognised in the year ended 31 December 2025. The resulting overstatement in income had a corresponding impact on deferred income and retained earnings.

Trade and other payables – A discrepancy of €12,490 was identified between the balance confirmed by a creditor and the corresponding amount recorded in the books of account. The Council had not adequately investigated or resolved the discrepancy. Furthermore, LGA was unable to perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the recorded balance.

Żebbuġ (Malta) Local Council

Fixed assets register (FAR) – the Council did not maintain an accurate FAR, and significant discrepancies were identified between the register and the amounts reported in the financial statements. LGA could not obtain reasonable assurance through other means regarding the existence of property, plant and equipment recorded in the financial statements, with a net book value of €375,559, and on the completeness and accuracy of the related depreciation charged.

Receivables – An amount of €41,404, out of the total balance of €42,602, could not be confirmed as to its accuracy and recoverability. No alternative audit procedures could be performed at year-end to obtain sufficient appropriate audit evidence in respect of this amount.

Payables – Sufficient appropriate audit evidence could not be obtained to ascertain the accuracy and validity of accrued expenditure amounting to €43,146. Furthermore, balances due to other third parties, amounting to €24,486, could not be independently verified. Similarly, no third-party confirmations or other appropriate corroborative evidence could be obtained in respect of other payables amounting to €12,002.

Expenditure – LGA was unable to obtain sufficient appropriate audit evidence regarding the accuracy and cut-off of expenses amounting to €56,522.

The audit report of 32 Councils was modified with an 'Except For' audit opinion

A snapshot of specific areas on which modified audit opinions were issued is presented in Figure 8. Weaknesses mostly related to poor internal control and lack of substantiating documentation.

Figure 8: 'Except For' audit opinion and/or 'Emphasis of Matter'



A modified audit opinion is given where:

a. the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatement, individually or in aggregate, are material but not pervasive to the financial statements; or

b. although the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, it is concluded that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive to the financial statements.

The audit report of five Local Councils included an 'Emphasis of Matter' paragraph highlighting a material uncertainty about their ability to continue as a going concern

In certain circumstances, the auditor may include an additional paragraph in the audit report, referred to as an 'Emphasis of Matter' or 'Other Matters' paragraph. This is included where, in the auditor's professional judgement, a matter that has been appropriately presented or disclosed in the financial statements is of such importance that it is fundamental to users' understanding of the financial statements. The inclusion of such a paragraph does not represent a modification of the audit opinion, a limitation on the scope of the audit, or an adverse conclusion.

The audit reports of five Local Councils also highlighted a material uncertainty regarding their ability to continue as going concerns. This indicates that, in addition to the annual funding received from Central Government, these Councils may require access to additional sources of income and improved cash flow management. Such measures would help ensure that their financial obligations can be settled as they fall due, without adversely affecting the Councils' ability to meet future commitments.

Appendix C lists the qualifications and/or emphasis of matter for each respective Council.

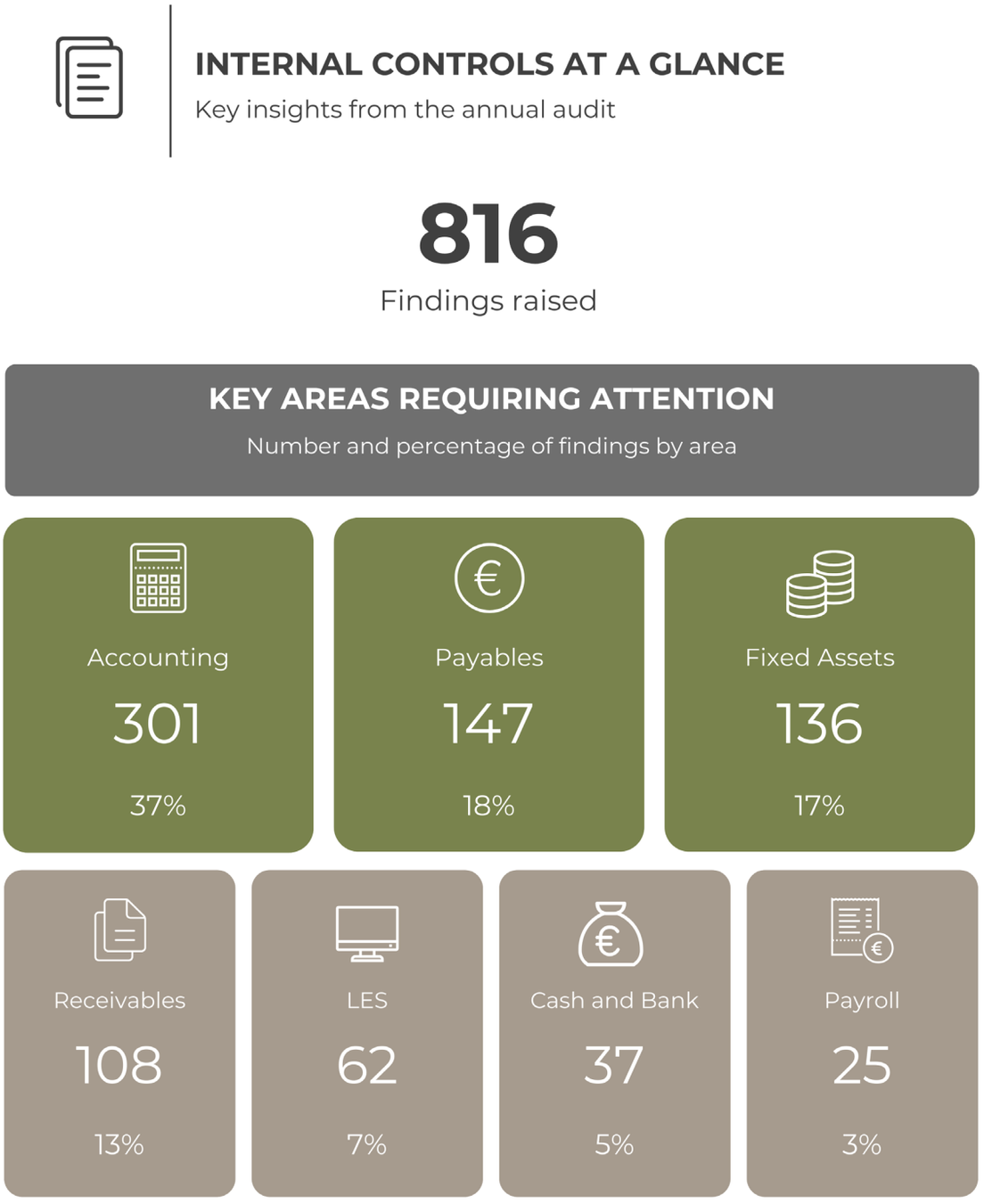
Key takeaways

- Certain Councils are experiencing considerable financial pressures, warranting continued attention and oversight.
- Local Authorities that received a clean audit opinion may still exhibit operational deficiencies or areas for improvement, as indicated in their management letters.
- The indicators reviewed do not demonstrate a consistent correlation between negative working capital, operating deficits and modified audit opinions.

The disclaimer of opinion and other modified audit opinions reflect matters identified during the audit, mainly relating to weaknesses in internal controls and reporting processes. These weaknesses are discussed in detail in Chapter 4.

4. Internal controls

Figure 9: Internal controls at a glance



Local Authorities are provided with public funds and resources to fulfil their duties and deliver essential services that support the welfare and development of their communities. An effective internal control environment is therefore fundamental to the sound administration of such resources, providing a framework through which Councils can manage their operations responsibly, safeguard public funds, maintain reliable financial information and comply with the applicable legislative and regulatory requirements. Appropriate controls also support accountability and transparency, while reducing exposure to error, irregularity and other risks that may hinder the achievement of the Council's objectives.

Internal controls requiring attention

Internal control weaknesses identified through the annual financial audits covered several areas of the Councils' financial and administrative operations. Although the specific nature and severity of these issues differed among Councils, recurring patterns were evident throughout the sector. Of particular concern are weaknesses recurring from previous years, since their continued presence may indicate that corrective measures have not yet fully addressed the underlying root causes, thereby leaving Councils exposed to the associated risks. Recurring matters may also cumulatively affect the Council's financial position and performance, potentially increasing the resources required to resolve them.

Accounting

Accounting-related deficiencies remained prevalent, with errors identified in the unaudited financial statements of several Local Authorities. The main weaknesses related to the following:

Classification and posting errors – Incorrect classification of income, expenditure, grants, assets and liabilities was noted, together with transactions posted to inappropriate nominal accounts or recorded in the wrong accounting period. Instances of duplicate entries, omissions from the books of account and other recording inaccuracies were also identified.

Incorrect cut-off procedures – Weaknesses included inaccurate, omitted or unsupported accruals, prepayments, accrued income and deferred income.

Financial reporting and lease accounting – Departures from the applicable financial reporting framework persisted, with financial statements requiring amendments, additional disclosures and reclassifications to comply with IFRSs as adopted by the European Union. Prevalent weaknesses were also noted in the assessment and accounting treatment of rental and lease arrangements under IFRS 16.

Grants and project-related balances – Deficiencies were encountered in the recognition and classification of government grants and project-related balances, including incorrect accounting treatment for accrued and deferred income. Long-outstanding grant receivables were also noted.

Budgetary control and financial sustainability – Shortcomings included, insufficient budget monitoring resulting in expenditure exceeding approved estimates, negative working capital, deficits and liquidity shortfalls, as well as weaknesses in cashflow management and deficiencies in the timely implementation of corrective action.

These shortcomings frequently necessitated audit adjustments and increased the risk of material misstatement in the financial statements. Effective internal controls over accounting processes are essential to ensure that financial transactions are complete, accurate, appropriately classified and recorded in the correct accounting period. This requires regular reviews and reconciliations of accounting records, appropriate supervisory oversight, robust cut-off and year-end procedures, systematic monitoring against approved budgets, and adequate supporting documentation. Particular attention should also be given to compliance with the applicable financial reporting framework and to ensuring that personnel responsible for maintaining the books of account possess the necessary competence and technical knowledge to produce reliable and accurate financial records.

Fixed assets

Weaknesses in this area continued to be identified, particularly in the maintenance of FAR reconciliation of asset balances and the accounting treatment of capital expenditure and related grants. The main shortcomings noted in the following areas were:

FAR completeness – FARs were not always complete or adequately maintained, with missing or outdated information relating to asset descriptions, acquisition dates, supplier and invoice details, identification numbers, locations, funding sources, useful lives, depreciation rates and carrying amounts. In certain instances, registers were either maintained in unsupported spreadsheets or were not made available for audit purposes.

Reconciliation with accounting records – Discrepancies in asset cost, accumulated depreciation, capital grants and net book values, were identified between FARs, nominal ledger balances and figures disclosed in the financial statements.

Classification and capitalisation – Incorrect categorisation of assets, including capital expenditure charged to revenue and vice versa.

Depreciation and grants – Weaknesses included inaccuracies in depreciation charges and the recognition of capital grants, which affected the net book value of assets.

Asset safeguarding and governance – Inadequate asset tagging and physical identification reduced Councils' ability to establish the existence, location and condition of assets. Shortcomings[16] were also identified in relation to compliance with applicable asset-management requirements outlined in Directive No. 01/2017 'Accounting Treatment ta' Assi Fissi (Non-Current Assets)', issued by LGD.

Project and procurement support – Documentation supporting certain capital projects and additions to fixed assets was insufficient. This included missing architects' certificates, unapproved variations and inadequate analysis of project expenditure, limiting assurance over the validity, valuation and authorisation of the amounts capitalised.

[16] These mainly related to incorrect application of the revised depreciation methodology, including failure to calculate depreciation over the remaining useful lives of assets; assets with expired useful lives not written off; incorrect allocation and accounting treatment of grants; and insufficient supporting documentation to substantiate adjustments made upon implementation of the Directive.

Those responsible for asset management should be aware of the risks arising from weaknesses in internal controls and take appropriate measures to ensure that the resources entrusted to them are effectively managed and safeguarded. Proper record keeping is essential for maintaining a complete, accurate and up-to-date FAR, reflecting all acquisitions, transfers and disposals. It should also be periodically reconciled with the accounting records and financial statements, to ensure that assets are properly accounted for throughout their lifecycle.

Assets should also be appropriately tagged and subject to periodic physical verification to confirm their existence, location and condition, with any discrepancies identified, investigated and resolved promptly. Controls should further ensure the proper classification and capitalisation of expenditure, accurate calculation of depreciation, appropriate accounting for capital grants, timely transfer of completed projects from assets under construction, and adequate documentation and authorisation of capital projects and related variations. Periodic reviews of insurance arrangements should also be undertaken to ensure that Council assets remain adequately safeguarded.

Accounts payable

Discrepancies between creditors' listings, supplier statements, control accounts and amounts reported in the financial statements, often arising from the absence of regular reconciliations or creditor confirmations, were the main concerns identified in the area of accounts payable. In some instances, inadequate supporting documentation, including missing fiscal documentation, further weakened the audit trail and limited assurance over the completeness, validity and accurate presentation of liabilities. Furthermore, long outstanding and debit balances were not always adequately investigated.

Robust controls over accounts payable are essential to ensure that liabilities are completely and accurately recorded, correctly classified and adequately supported, while payments are made only in respect of duly authorised obligations. To strengthen controls in this area, Councils are to ensure that:

- invoices are verified for accuracy and validity and, where applicable, matched to purchase orders and evidence confirming receipt of the respective goods or services, with appropriate segregation of duties and levels of authorisation maintained across invoice verification, recording, payment processing and reconciliation;

- invoices and other liabilities are recorded in the correct accounting period, appropriately classified and adequately supported, ensuring proper cut-off and reducing the risk of omitted or duplicate transactions;

- supplier statements and, where appropriate, creditor confirmations are obtained and reconciled with the accounting records, with discrepancies promptly investigated and resolved;

- creditors, accruals and other related balances are regularly reviewed, with long-outstanding, and/or unsupported balances investigated and appropriately written off following approval by the Council; and

- deferred income and monies held or collected on behalf of third parties are separately identifiable, adequately supported and regularly reconciled.

Accounts receivable

Weaknesses in the management of accounts receivable related to balances carried forward for several years, for which recovery action or adequate assessment of collectability was not always evident. In addition, impairment provisions were inadequate, particularly where doubtful or potentially irrecoverable balances remained unprovided for, or existing provisions were not reassessed in light of subsequent recoveries. Discrepancies were also noted between debtors' listings, accounting records and third-party confirmations. Furthermore, certain receivables, accrued income and grant-related balances were not adequately supported by relevant documentation, such as agreements and invoices. Other shortcomings concerned unusual or incorrectly presented balances, including credit balances in debtors' listings and unauthorised offsetting of amounts.

The timely recovery of amounts due contributes to maintaining the liquidity required by Local Authorities to meet their financial commitments and sustain their operations. Appropriate control over receivables therefore requires balances to be regularly monitored and reconciled with the general ledger, with confirmation sought from third parties, were considered necessary. Amounts remaining unpaid should be actively pursued and subject to periodic ageing analysis to assess their validity and recoverability. Particular attention should be given to older balances, accrued income and amounts relating to past projects or grants.

The adequacy of provisions for doubtful debts should be determined on the basis of a documented review of the underlying balances, taking into consideration subsequent receipts and other relevant evidence. Such assessments should be revisited periodically and adjusted to reflect changes in circumstances. Where recovery is no longer considered feasible, amounts should only be written off once the required authorisation has been obtained. All adjustments to provisions and write-offs should be properly documented and reflected in the accounting records. Supporting documentation for receivables and accrued income should also be maintained, while any unusual balances or inconsistencies identified should be investigated and resolved promptly. These controls would strengthen the reliability of financial reporting, support effective collection of amounts due and contribute to improved management of Councils' cash flow.

Local Enforcement System

Long-outstanding contravention balances relating to the Joint Committees' period remained unresolved. The absence of the Joint Committees' audited financial statements also made it difficult to determine whether any additional income was due to Councils. Differences were identified between Local Enforcement System (LES) receivables and administration fees reported in the financial statements and the corresponding system-generated reports.

Internal controls over LES-related balances should include regular and timely reconciliation of accounting records with LES-generated information, including administration fees, with any discrepancies investigated without undue delay. Given that LES is a live system, supporting reports should be extracted and retained at the relevant year-end cut-off date to maintain an adequate audit trail. Any unresolved matters outside Councils' control should be appropriately escalated to the relevant authorities.

Financial management

Bank and cash reconciliations were not always complete and accurate, resulting in discrepancies between accounting records, bank balances and amounts reported in the financial statements. Furthermore, long-outstanding reconciling items, stale or cancelled cheques and unsupported cash balances were not always investigated and resolved in a timely manner. Weaknesses were also identified in cash management, including delays in depositing cash and inadequate controls over petty cash. In addition, funds held for specific purposes or collected on behalf of third parties were not recorded in separate nominal accounts, reducing the transparency of their accounting treatment and hindering effective monitoring of these balances.

Additional concerns related to the classification and presentation of cash, overdrafts and loan balances, as well as the monitoring of guarantees and dormant bank accounts. Instances were also noted where authorised bank signatories were not updated following a change in the Mayor and/or ES. These shortcomings may increase the risk of misstated cash balances, cut-off errors and the loss or misuse of funds.

The management of public funds requires Local Councils to maintain adequate controls over cash and bank balances to ensure that funds are properly accounted for and financial records remain accurate. Consequently, Local Authorities are to ensure that bank and cash reconciliations are prepared regularly, and independently reviewed, with any outstanding matters promptly investigated and resolved. Moreover, third-party and restricted funds should be clearly identifiable and adequately reconciled, whilst appropriate controls over cash handling, deposits and petty cash are also to be maintained.

Personal emoluments

The main weaknesses in personal emoluments centred on differences between payroll records, figures recorded in the accounting records, and those disclosed in the statutory Final Settlement System returns. Other shortcomings related to the incorrect recording of bonuses and allowances, overtime that was not duly authorised, and the absence of agreements stipulating employees' working terms and conditions. In certain instances, payroll expenditure and related liabilities were also incorrectly classified or disclosed.

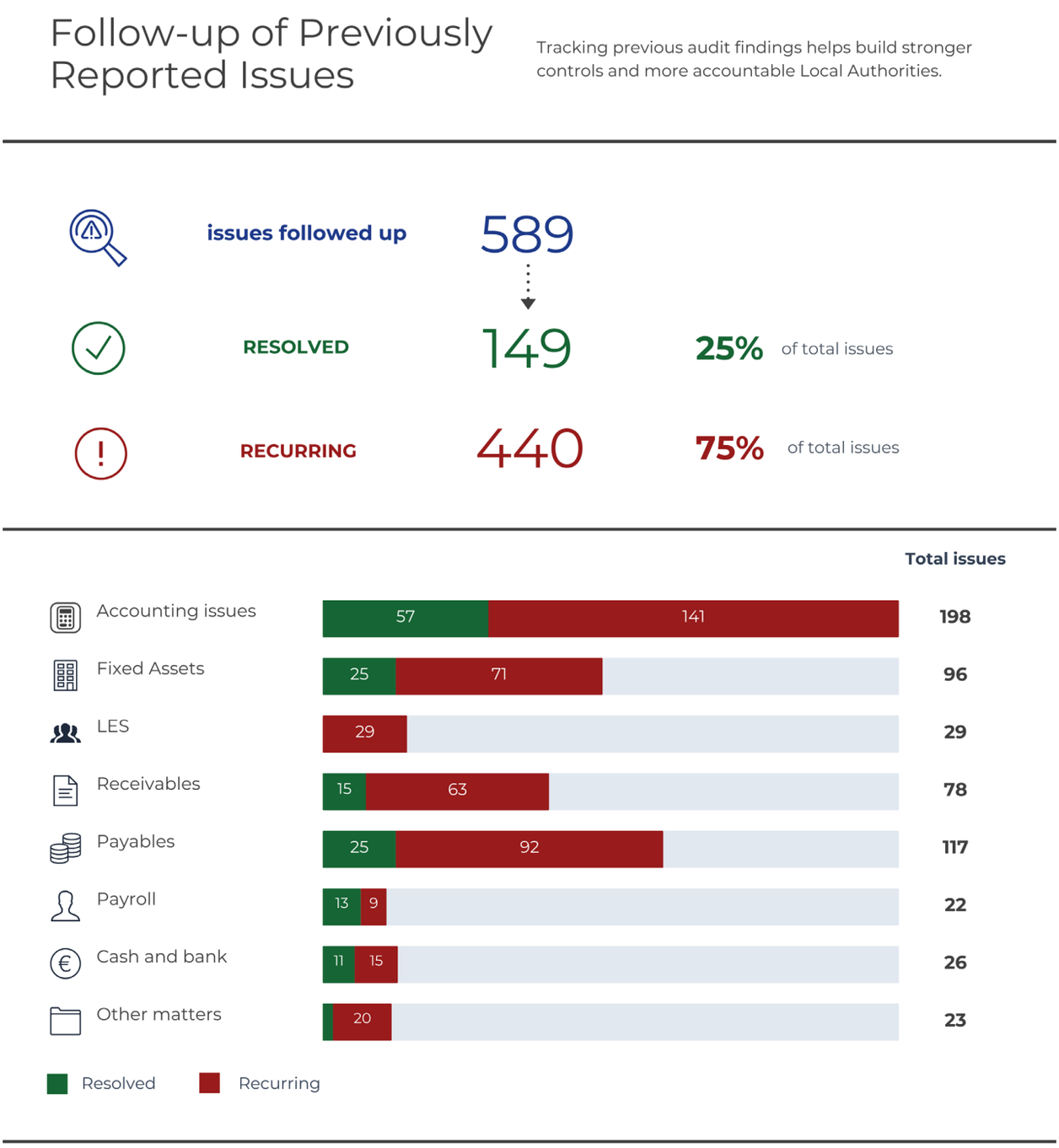
Given the significance of payroll expenditure within the Council's overall spending, appropriate procedures should be in place to ensure that staff costs and related statutory obligations are properly accounted for and reported. This includes regular reconciliation of payroll data with accounting records and statutory returns, with any differences identified investigated and resolved. Employment records and agreements setting out employees' terms and conditions should be maintained and kept up to date. In addition, salary calculations, changes in remuneration and employee entitlements should be adequately documented, duly authorised and independently verified. Overtime should also be approved before any additional hours are worked.

Status of previous year's recommendations

Following up on recommendations issued in the preceding year provides insight into the extent to which identified weaknesses have been addressed and the necessary corrective action implemented. During the 2025 financial audit, 75% of the recommendations made in the previous year recurred, indicating that many of the

issues raised had not yet been fully resolved. This highlights the importance of ensuring that agreed actions are implemented effectively and within reasonable timeframes, supported by appropriate monitoring to prevent the recurrence of similar weaknesses. Figure 10 below illustrates the number of recommendations that were resolved and those that continued to recur during the 2025 financial audit.

Figure 10: Previous year's recommendations



Three quarters of the issues followed up continue to **recur**, indicating that a substantial proportion of previously reported weaknesses remained outstanding.

From recommendation to corrective action

An effective internal control system depends on each Council regularly assessing and strengthening its processes and procedures, rather than relying primarily on the annual financial audit to identify significant weaknesses. Integrating preventive measures into routine activities, keeping reliable and comprehensive records, strengthening supervisory practices and addressing weaknesses in a timely manner can help prevent repeated shortcomings and improve the overall standard of financial and administrative management.

Internal control should therefore be regarded as more than a mechanism for meeting audit recommendations or statutory obligations. It is a fundamental component of sound governance and the effective stewardship of public funds and resources. By adopting a proactive approach that prioritises regular monitoring, timely remedial measures and the identification of underlying causes, Councils can strengthen accountability, improve operational reliability and ensure that public resources are managed efficiently and responsibly.

Councils' response to management letters

The identification of internal control weaknesses is an important element of the audit process; however, equally important is the timely and effective implementation of appropriate corrective actions. Management letters provide Local Authorities with the opportunity to comment on the matters raised by LGAs and set out any corrective measures intended to be taken. These responses provide further insight into the Authorities' approach to addressing the matters identified and strengthening the relevant controls.

In line with Article 8(2) of the Local Government (Audit) Regulations (S.L. 363.02), Councils are expected to submit a formal response to the Auditor General, within six weeks of receiving the management letter. This year, 39 Local Councils, 5 Regional Councils and LCA submitted their response to the management letter within the stipulated deadline. Another nine Councils[17] replied after the deadline.

NAO commends those Councils that make an effort to submit their feedback, demonstrating their recognition of its importance and their commitment to regularising their positions. However, it was noted that, at times, management letter points were addressed by means of a simple statement indicating that the matter had been noted without outlining any concrete action intended to implement the proposed recommendation. Instances where points were not addressed were also encountered.

Conclusion

The audit findings collectively offer valuable insight into the effectiveness of financial and administrative controls across the local government sector, extending beyond the identification of individual shortcomings. The prevalence of certain weaknesses underlines the importance of an ongoing structured approach towards monitoring such concerns and effectively implement appropriate corrective action. Addressing the root causes of these deficiencies is essential to achieve sustainable improvements in internal controls, strengthening accountability, and enhancing the overall management of Local Authorities' responsibilities.

[17] This analysis covers only the Councils that were furnished with the management letter by the third week of September 2026, i.e., six weeks ahead of the deadline set by this Office to be able to analyse the financial statements by end October 2026.

5. Compliance audits

Over successive years, audit findings across various Local Councils have highlighted shortcomings in internal controls and failures to fully meet statutory requirements. In response, discussions involving NAO, LGD and LCA resulted in a revised approach to the audit of Local Government operations, effective from financial year 2021. Under this arrangement, NAO's annual statutory audit was confined to examining financial matters, while oversight of compliance with relevant laws, regulations and other applicable requirements was entrusted to the Finance and Procurement Compliance Directorate within LGD. NAO, however, continued to retain the discretion to conduct periodic compliance audits of selected Local Councils on a sample basis.

In pursuance of this mandate, during 2026, NAO conducted compliance audits at Qormi and Żebbuġ (Malta) Local Councils. The audit at Qormi Local Council covered operations carried out during financial years 2024 and 2025, while that at Żebbuġ (Malta) Local Council focused on financial year 2025.

The main scope of these audits was to determine whether Councils' operations were conducted in line with the relevant regulations emanating from the Local Government Act, as well as with the applicable regulations and guidelines issued by LGD. Furthermore, procedures were carried out to establish whether Government resources were used prudently and in a judicious manner.

The audits were performed in accordance with generally accepted auditing standards and were designed to obtain reasonable assurance as to whether adequate internal control mechanisms were in place and operating effectively. Meetings were held with the respective ESs, whilst Council minutes and schedules of payment relating to the periods under review were reviewed to identify significant transactions, procurement activity and other matters deemed relevant to the audit. The main observations arising from the audits are presented hereafter.

Common areas of concern

Non-adherence to procurement regulations

Verifications carried out on procurement undertaken during the year under review revealed several instances where standing regulations and the Procurement Guidelines issued by LGD in 2017 were not followed. Table 8 outlines the procurement procedures that need to be adhered to by Local Councils, according to the related thresholds, as provided in the regulations.

Table 8: Procurement thresholds and procedures

Thresholds excluding Value Added Tax	**Applicable Procurement Procedure**
€50 - €500	Can be procured through a direct order approved by the ES
€501 - €5,000	At least three signed quotations are to be obtained
€5,001 - €9,999	Public call for quotes through the electronic public procurement system
€10,000 and over	Public call for tenders through the electronic public procurement system

Below are some of the shortcomings encountered during audit testing:

a. Procurement for goods and services effected by the respective two Councils was at times effected directly from the open market.

b. Instances of repeated procurement from the same suppliers, which procurement was not supported by competitive quotations as required by the applicable procurement guidelines was also noted.

Absence of valid service agreements and other deficiencies in contractual documentation

Service agreements relating to the sampled transactions[18] were not always provided for review. Thus, it could not be established whether such agreements were in place to clearly set out the applicable terms and conditions, as well as the respective responsibilities and obligations of the parties involved.

It was also noted that a Memorandum of Understanding entered into by Qormi Local Council with a third party, to undertake a number of projects in the locality at the latter's expense, with a total value of €365,000, over a period of three years, was undated. Consequently, the date by which the agreed commitments were to be fulfilled, could not be established. Should the projects not be implemented by the responsible parties, they could potentially become a Council social obligation to be eventually financed through public funds. Similarly, the service agreement[19] for the cleaning of public conveniences provided for audit purposes was not signed, neither by the Local Council nor by the service provider. The contract was also undated and did not specify its duration. Payments effected to the service provider in 2024 and between January and October 2025 totalled €19,868 and €23,732 respectively.

Likewise, an agreement entered into by Żebbuġ (Malta) Local Council for printing and photocopying services did not specify its commencement date, rendering it impossible to establish its effective period and validity. The agreement was also not endorsed by the ES but was signed only by the Mayor and the service provider.

Extended use of a non-competitive procurement arrangement

Sample testing identified instances where a non-competitive procurement arrangement continued to be used beyond its initially intended period.

a. Following the suspension[20] of the contract for the upkeep of gardens and soft areas by Qormi Local Council in May 2022, the required services continued to be procured through direct quotations until the first week of February 2024, pending the award of a new tender published on 1 November 2023. Payments made to the two respective suppliers for services provided during 2024 which were not subject to a competitive procurement process totalled €5,316 and €6,955.

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[18] Agreements covering the services of bulky refuse collection, legal and security, use of school premises, junior science club and school grannies were not provided by Żebbuġ (Malta) Local Council. Agreement with respect to Blossom Project was not made available by Qormi Local Council.

[19] With a value of €22,450 (VAT excl.).

[20] The contract was suspended by the Local Council due to repeated defaults by the service provider.

b. Instances were encountered at Żebbuġ (Malta) Local Council where services[21] continued to be procured from the same service provider under the same terms and conditions following the expiry of the respective contract. No evidence was provided to demonstrate that a formal contract extension had been approved. In addition, requests for supporting procurement documentation, including tender or quotations, evaluation reports and bank guarantees, remained outstanding.

Organisation of various events by the Council

During the year under review, both Councils organised a number of events which were financed from public funds. Shortcomings identified in respect of the related expenditure are outlined hereafter.

Jum il-Lokal

Local Councils are authorised to organise an annual local activity, namely Jum il-Lokal, with the related expenditure limited to the higher of €3,500 or 0.5% of the annual allocation[22]. To organise this event in 2025[23], Qormi Local Council expended the aggregate amount of €10,270, thereby exceeding the stipulated threshold by €4,108.

Community activities

Both Councils organised several community activities at their expense, that were either not financed through specific funding schemes or for which only a nominal participation fee was charged to partially offset the related costs.

The information provided in this respect by Qormi Local Council was inaccurate and incomplete. Based on the information made available, the Council incurred over €17,000 and €13,000[24] from public funds on such activities in 2024 and 2025 respectively. This was not in line with the Council's assertion that the costs of these activities were largely covered through participant contributions.

Similarly, during 2025, Żebbuġ (Malta) Local Council incurred a total expenditure of €47,064 in relation to such events, of which €31,390 was covered through participant fees and/or scheme funding. The remaining €15,674 was borne from public funds. A breakdown of the respective receipts and expenses was not made available. Moreover, during the audit, an analysis was carried out on a sample of two organised activities, whereby the income recorded in the nominal ledger was reconciled against the supporting data provided. This exercise identified discrepancies between the two sources of information, raising concerns regarding the reliability and accuracy of the financial data maintained.

In addition, the Żebbuġ (Malta) Local Council committee for the elderly organises weekly bingo activities, with proceeds intended to cover refreshments, and any surplus remitted to the Council. Review of selected activities

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[21] These included lighting services, accounting services and certification whether private works affected public property.

[22] Financial allocation amounted to €1,232,506 for 2025.

[23] The official date of Jum Ħal-Qormi is 25 May. However, activities spanned over four days, with 'Gieħ Ħal-Qormi' held between 22 and 25 May 2025 and 'Ingawdu it-Triq Flimkien' event was hosted on the 25 May 2025.

[24] Excluding €48,625 received as sponsorships and participants' contribution.

held in March and October 2025 revealed instances where no proceeds were recorded and other occasions where expenditure exceeded income. Furthermore, proceeds were being recorded in the nominal ledger in aggregate at year-end rather than on an event-by-event basis. The Council did not maintain any other financial records related to such activities and audit trail was lacking.

During the year under review the foregoing Council paid €2,496 in relation to mementos that were distributed over a three-year period[25] during the annual event Ġieħ Ħaż-Żebbuġ. Another €883 was expensed in relation to tokens for the competitive Żebbuġ run and Jum Ħaż-Żebbuġ trophies. In line with Directive No. 5A/2016 'Irtirar ta' Direttiva No. 5/2016 u Sostituzzjoni tagħha' issued by LGD, only in cases where the Council is hosting delegations, dignitaries or other distinct personalities, small mementos[26], are allowed.

Activities organised by third parties

An aggregate amount of €2,460 was incurred by Qormi Local Council in respect of expenses relating to two festivals organised by third parties during 2025. In line with LGD's Circular No. 38/2016 'Fondi Pubbliċi minfuqa għal finanzjament ta' Għaqdiet', initiatives to preserve local traditions should be undertaken by the Council itself, to justify financing from public funds.

Hire of skips on behalf of third parties

Payments of €3,752 and €4,649 in 2024 and 2025 respectively, were made by Qormi Local Council to cover expenses mainly related to the hire of skips for the fireworks factory. An additional €1,487 was expensed by the Council for the hire of nine open skips on behalf of the sports complex.

Payments not supported by fiscal receipts

Payments were not always supported by fiscal receipts, indicating non-adherence to the applicable fiscal regulations[27]. Moreover, the defaulters were not reported to the tax authorities.

Absence of formal records for attendance, overtime and vacation leave

Formal records of daily attendance and overtime were not maintained by both Qormi and Żebbuġ (Malta) Local Councils.

a. No formal attendance-recording mechanism was in place at either of the Local Councils during the period under review. Although a biometric time clock was procured by Qormi Local Council in February 2025, its use by Council's employees only commenced recording their attendance through this mechanism in January 2026. Furthermore, employees deployed with the Council through the Community Workers Scheme as well as Resource Support and Services Limited at the time were still not recording their attendance, as an email account had not yet been established to facilitate the use of the system by these employees.

[25] As per data provided by the Council, a total of 28 mementos were distributed between 2021 and 2023.
[26] With a value not exceeding €200.
[27] Article 51 of the Value Added Tax Act (Cap. 406).

No evidence was provided to confirm that overtime worked during the year under review was formally approved prior to it being performed at either of the Councils. The only documentation provided by Żebbuġ (Malta) Local Council comprised a spreadsheet, illustrating the officers' names, the respective months and overtime hours worked, with no justification or details for the overtime undertaken. Consequently, compensation for the hours claimed[28] beyond normal office hours could not be validated.

b. Moreover, vacation leave at Żebbuġ Local Council was communicated via a text messaging system, with leave balances being tracked solely through the monitoring of the messages.

Payment of allowances without formal Council's approval

No evidence was provided to substantiate that allowances paid to specific employees had been formally approved by the respective Councils.

a. In addition to their basic salary, which was fully borne by the Community Work Scheme Enterprise Foundation, two community workers were paid a monthly allowance by Qormi Local Council[29]. Although it was stated that the allowance related to extra duties performed by the foregoing, no details were provided regarding the nature of these duties. Furthermore, the Council's minutes evidencing the necessary approval could not be traced.

   Moreover, one of these employees transitioned to direct employment with the Council with effect from 12 May 2025, so this allowance was not to be paid thereafter. However, the full monthly allowance of €797 was paid for in May.

b. Verification of December 2025 payslips revealed that one of the employees employed by Żebbuġ (Malta) Local Council was being paid a monthly allowance of €248 for the daily opening and closing of Ġnien l-Indipendenza, which was inaugurated on 8 October 2025. However, no evidence was provided to substantiate that the payment of this allowance had been formally approved by the Council.

Inconsistencies in the schedules of payment

The Local Government (Procedures) Regulations (S.L. 363.12)[30], together with the Local Government (Financial) Regulations (S.L. 363.01) vests the ES with the responsibility to prepare complete and accurate monthly schedules of payment and petty cash lists, containing information in sequential order and presented for the Council's approval. Guided by the template issued by LGD with Circular No. 06/2022 'Skeda tal-Pagamenti għall-użu tal-Compliance Unit', the information disclosed in the schedules of payment is to, at least, include details of the service provider, the amount to be paid, description of the respective service, the procurement method, the purchase order number and the cheque number by which payment was effected. However, information in this respect was sometimes either incomplete, inconsistently disclosed, or inaccurate in the schedules of payment reviewed for both localities.

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[28] As per nominal ledgers provided for audit purposes, overtime paid to Council's employees by Qormi Local Council amounted to €2,961 in 2024 and €4,761 in 2025. Payments effected by Żebbuġ (Malta) Local Council in relation to overtime carried out during 2025 totalled €24,025.

[29] Monthly allowances of €797 and €177 were paid to the two employees in question respectively.

[30] Article P1.11(c) of the Local Councils (Financial) Procedures.

It was further noted that allowances paid to Councillors and salaries paid to Council employees during 2025 were omitted from the schedules of payment provided by Żebbuġ (Malta) Local Council. Similarly, three additional cheque payments, in aggregate amounting to €826, were not disclosed on the grounds of urgency. Furthermore, the nature of the payments in question was not indicated, while casting errors were identified in three schedules submitted for the Council's approval. In another instance, the schedule provided for audit purposes differed from that uploaded on the Council's website.

Weaknesses in the management and recording of petty cash expenditures

Petty cash vouchers were at times not raised or not appropriately approved. In addition, some supporting receipts were not itemised, while expenditure exceeding the €50 threshold established under S.L. 363.01 was processed through petty cash.

Furthermore, certain petty cash transactions at Żebbuġ (Malta) Local Council were not recorded in a timely manner, and the petty cash lists lacked essential information, including the transaction date, the payee name, and description of the items purchased. It was also noted that the ES did not present the petty cash lists for Council approval. Moreover, petty cash replenishments were not recorded in the petty cash lists, resulting in inaccurate month-end balances and consequential errors in the balances brought forward.

Incomplete fixed assets register

While Qormi Local Council maintained a FAR, it lacked essential details, making it difficult to trace assets to their physical location. Inconsistences were also noted between the value of assets, the respective depreciation and the net book value, as disclosed in the FAR and the books of account. Moreover, a number of assets acquired during financial years 2024 and 2025 were not recorded in the FAR. No explanation was provided by the Council for the discrepancies identified.

On the other hand, Żebbuġ (Malta) Local Council did not maintain an up-to-date FAR in accordance with the Local Councils (Financial) Procedures. In addition, insurance documentation covering the assets was not made available for audit verification. These shortcomings limited assurance over the proper recording, safeguarding, and monitoring of Council assets.

Delays in uploading statutory documentation on the Council's website

Directive No. 1/2020 'Applowdjar tad-dokumenti statutorji fuq il-Websajt', issued by LGD, requires Councils to prepare and, following approval during Council meeting, publish specific statutory documentation on its website within the stipulated timeframes. This includes Council's meeting agendas, minutes of meetings, annual budget, annual administrative report, quarterly financial reports, schedules of payments, as well as the five-year business plan.

Instances were encountered whereby such requirements were not complied with in a timely manner by Qormi Local Council. Furthermore, the Council confirmed that a formal five-year plan for financial year 2024 was not prepared.

Only meeting agendas and respective minutes were available on Żebbuġ (Malta) Council's website. Moreover, the dates on which these documents were uploaded were not disclosed; thus, it could not be determined whether the documents had been published within the timeframes prescribed by the Directive.

Council-specific issues

In addition to the general weaknesses outlined under 'Common Areas of Concern', which were identified across both Councils subject to the compliance audit, this section presents the specific issues relating to each Council.

Qormi Local Council

Documentation and/or information requested not provided for audit purposes

As reported in the Report by the Auditor General on the Workings of Local Government for 2024, the compliance audit of the Qormi Local Council 2024 operations could not be carried out as originally planned since the post of ES remained vacant for over a year, during which period the Council's administration was overseen by the Deputy ES.

Consequently, a compliance audit covering the 2024 and 2025 operations was scheduled. However, despite repeated reminders, the Council did not respond to a number of audit queries. The absence of the required documentation limited the scope of the audit, as sufficient appropriate audit evidence could not be obtained to assess compliance with applicable laws, regulations and directives, and to ascertain whether public funds were properly utilised.

Undocumented deviation from the tender Evaluation Committee's recommendations

Audit testing carried out revealed that contracts for the provision of accounting services and the provision of cleaning services respectively were awarded to contractors other than those recommended by the Evaluation Committee, without any documented justification for the departure from the Committee's recommendations. In another case, the contractor named in the contract award decision notice was not even one of the participating bidders.

Deficiencies in the maintenance of employment records and lack of transparency

Audit verifications revealed weaknesses in the management and oversight of employees. The engagement of the three new employees[31] during the periods under review was not supported by an employment contract. Furthermore, deficiencies were identified in the administration of employees engaged through two different employment schemes. These included the absence of employment contracts and supporting agreements, inadequate record retention practices, failure to establish and retain required job descriptions and work plans, and the lack of documentation confirming that assigned duties were performed and expected outputs achieved. These shortcomings limited accountability and reduced assurance regarding the effective use of public funds.

[31] As per data provided by the Council, one was engaged in 2024 and another two were engaged during 2025.

Incomplete documentation supporting the payment of performance bonus

Review of the documentation supporting the performance bonuses paid to employees deployed through one of the schemes revealed deficiencies in the performance appraisal process. These included the calculation of the 2024 annual bonus evaluated on only six months of performance, the absence of certain quarterly performance reviews, and other inaccuracies.

Vehicle Registration Certificate not located

The Council owns an electric vehicle which is used for transporting elderly residents on personal errands within the locality, as well as a van used by the maintenance team. Requests for a copy of the respective logbooks were not fulfilled, since these could not be traced. The Council confirmed that it will be requesting a replacement of the logbooks from Transport Malta and will ask for change in ownership since it was still calling the Deputy ES[32].

Councillors' absence during Council's meetings

As outlined in Article 18 of the Local Government Act (Cap. 363), Councillors are expected to attend all Council meetings. Any absences must be supported by an apology letter submitted to the ES prior to the meeting, providing a valid justification for the absence[33]. The ES is then required to present the apology letter to the Council during the respective meeting, enabling the Council to determine whether the justification is acceptable. Should a Councillor fail to attend four meetings, or in the aggregate more than one-third of the meetings called within a period of six months, the ES is to notify the Minister accordingly. If the absence is deemed unjustified, the Minister may declare the Councillor's seat vacant.

However, Councillors' absences from Council meetings were not always supported by an apology letter, detailing a valid reason for the absence and, where applicable, the Minister was not notified accordingly.

a. One of the Councillors did not attend any meetings held between January and June 2024[34]. This also included the annual locality meeting. Moreover, no apology letters were provided. Nevertheless, the Council did not take any action to inform the Minister as required by the cited Act.

b. Two further instances of absenteeism involving two other individuals, in respect of a Council meeting[35] held during 2024, were also not supported by an apology letter.

c. Meanwhile, the minutes of Council's meetings held during the audit period identified a total of 26 and 12 recorded absences in 2024 and 2025 respectively. However, the corresponding apology letters were not made available for audit verification. Consequently, it could not be verified whether the Councillors' absences were appropriately communicated and documented in accordance with the established requirements.

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[32] The current ES was appointed with effect from 11 August 2025 and the reply from the Council in respect of NAO's query was received on 15 May 2026.

[33] In accordance with the requirements outlined in LGD Circular No. 22/2019 'Onorarju u Allowances'.

[34] Local Councils election was held on 8 June 2024 in which the respective Councillor did not stand as a candidate.

[35] Meeting held on 21 May 2024.

Threshold for Christmas lunch expenditure exceeded

Included in the 2025 nominal ledger was an expense of €1,000 relating to a Christmas lunch for Councillors and staff. Given that the number of Councillors was 11 while the total number of staff amounted to 16[36], the resulting average cost per person[37] was €37. This expenditure exceeded the allowable limit of €30 per head established under Memo No. 8/2011 'Emenda għal Memo No. 122/2010 – Ikliet/riċevimenti organizzati mill-Kunsilli Lokali', issued by LGD.

Qormi Local Council indicated that it is generally in agreement with the proposed remedial measures and recognises the importance of addressing the observations raised during the audit. The Council further stated that certain implementation timeframes may need to allow for the necessary consultation, verification of records and, where applicable, approval by the Council or its committees. Particular attention will be given to strengthening governance, procurement controls, record management, website compliance, asset management and human resource procedures, with a view to addressing the issues identified and preventing their recurrence.

Żebbuġ (Malta) Local Council

Untimely bank deposits

Based on information provided during the audit, it was noted that the cash and cheque deposits were not affected in a timely manner. Moreover, no formal reconciliations of the deposited amounts were provided for audit purposes. Furthermore, the aggregate value of the deposits initially provided by the Local Council was subsequently updated during the audit process, resulting in an unexplained discrepancy, of €4,683.

The Council also failed to provide information identifying the period to which the cash balances pertained, since only deposit slips were provided.

Daily reconciliations of income received not performed

Notwithstanding the ES's assertion that end-of-day reports for income received are generated from the system and reconciliations were performed daily, no such evidence was provided. Moreover, sample testing confirmed that there were various unreconciled amounts.

Shortcomings highlighted in the procurement of sweeping services

Significant gaps in the documentation supporting the procurement of street sweeping limited the ability to establish a complete audit trail. The following relate:

a. In response to a request for a copy of the relevant service agreement, the ES formally explained that the original tender, which was divided into three zones, had been awarded to an individual, other than the

[36] Including two employees who resigned in December 2025.

[37] Provided that the lunch was attended by all Councillors and employees.

person providing the service. It transpired that, due to personal reasons, at one point, the winning bidder transferred his business to his business partner.

A copy of the original tender documentation, the evaluation report, and any formal records evidencing the transfer of the business, were requested. Documentation confirming that the business partner had assumed responsibility for the existing contractual obligations were also requested. However, these requests were not fulfilled. Furthermore, it was confirmed that no formal agreement was entered into with the business partner following the reported transfer, nor was a bank guarantee requested from him. Payments for services rendered between January and June 2025 amounted to €37,367[38] .

b. A sampled invoice issued by the service provider was not dated and only showed the net amount payable, the deductible administrative fee, and the Value Added Tax (VAT) portion. Consequently, the accuracy of the amount payable of €6,228 could not be verified.

c. The Council forked out €854 to provide the contractor's employees with a uniform with the Council's logo.

d. In November 2024, a fresh tender for street sweeping services[39] was published on the electronic public procurement system. This was subsequently awarded to a new service provider for the amount of €84,678 (VAT excl.). Requests for copies of the commencement notice and the agreement in place were not fulfilled. Although the service commenced in October 2025, as at 9 June 2026, the Council had still not received the required bank guarantee amounting to €3,387.

e. The Council accrued €18,683 at year-end 2025 in respect of expenditure covering the last six months of the year. However, request for copies of the respective invoices, which the Council claimed were paid in 2026, together with the related fiscal receipts and the accrual listing as at the end of 2025, were not acceded to. Consequently, it was not possible to verify that the accrued amounts were subsequently invoiced and settled in full.

Incorrect allocation of creditors' payments

The process for recording and allocating creditor payments was not sufficiently effective to ensure accurate payable balances and a clear audit trail over expenditure.

The Council had a practice of issuing payments on account rather than allocating payments against specific invoices, thereby hindering audit trail. Moreover, such payments were not always supported by fiscal receipts.

[38] According to the ES, invoices covering services rendered between July and September 2025 had been accrued for, as the respective invoices had not yet been received. However, a copy of the accruals list was not provided for audit purposes.

[39] Tender ZBGL C01/2024 - Tender for the street sweeping services in the locality of Ħaż-Żebbuġ, using low emission service vehicles. This was for a period of one year with the possibility of another three year-extension, up to a maximum period of four years.

Purchase orders lacking details

Upon request of copies of a sample of ten purchase orders, NAO was provided with a whole batch. However, only two sampled purchase orders were included therein. Moreover, two purchase orders from the lot provided, relating to security services, did not specify the number of hours required to be rendered. Since there was no contract to cover the relating services, validity of the respective expenditure, which during 2025 totalled €3,600 could not be confirmed.

Invoices lacking sufficient detail

Certain invoices, received from different service providers, did not contain key identifying details, including date and recipient. Such deficiencies represent a significant control weakness and increase the risk of inaccurate financial reporting.

Lack of evidence of invoice certification

Audit testing identified instances where invoices were not formally certified as correct prior to processing for payment. The absence of evidence of certification makes it difficult to establish whether the invoices had been appropriately verified for accuracy, completeness and compliance with the agreed terms before payment was authorised.

From the testing of invoices relating to photocopying and printing services, instances were noted where individual invoices were recorded separately in the schedules of payment and recorded again as an aggregate amount. A similar issue was encountered with respect to insurance coverage procured through LCA. In the absence of appropriate checking and clear cross-referencing, this practice makes it more difficult to establish that the amounts included in the payment schedules accurately reflect the underlying invoices and increases the risk of duplication or inaccurate reporting[40].

Weaknesses in the tender evaluation and award process

Between November 2024 and September 2025 six calls for tenders were published by the Council. The following observations were noted:

a. The approval by the Council for the appointment of the respective evaluation committees could not be traced.

b. The Council did not have copies of the minutes maintained by the respective evaluation committees, if any.

[40] During the 2025 annual financial audit, LGA proposed adjustments to reverse amounts (€1,820) that had been recorded twice in the books of account.

c. Of the six tenders reviewed, only the street sweeping tender was found to have had the evaluation committee's recommendation for award discussed and subsequently approved during a Council meeting.

d. The award notices in respect of all the tenders awarded were not published on the electronic public procurement system as required by the procurement guidelines.

Deficiencies in lease management processes

Included in the nominal ledger was an aggregate expense of €8,216 relating to lease payments for the Council's offices rented from the Lands Authority, as well as three garages leased from third parties. A review of the agreements supporting the lease payments identified the following deficiencies:

a. Since 2020, the Council has been leasing a one-car garage, for the storage of equipment. This property, which was procured directly from the open market on the basis of its proximity to the Council's premises, was not covered by a formal agreement setting out the respective rights and obligations of both parties.

b. Following a public call for tenders, on 1 November 2022, the Council entered into a two-year agreement, with the possibility of a one-year extension, for the leasing of the respective property to be used as a Community Police Office.

- The Council continued to lease the forgoing property following the expiration of the agreement in October 2024; however, no formal renewal[41] was traced.

- On 1 November 2025, when the period of the extension elapsed, the Council entered into another agreement with the same service provider under the same conditions by direct order, without issuing a public call for quotes.

- Lease payments for the period January to July 2025 were not recorded in the books of account. According to the ES, the error was rectified through an audit adjustment recommended by LGA during the end-of-year financial audit.

Monthly deductions not submitted to the tax authorities in a timely manner

In breach of the Final Settlement System (FSS) Rules (S.L. 372.14), deductions in relation to the final settlement system and social security contributions[42], were not remitted to the tax authorities by the last working day of the month following that during which the deductions were made. By way of example, deductions pertaining to the sampled months of April and August 2025 were forwarded to the Malta Tax and Customs Administration in December 2025, despite that these were to be submitted by end of May and September respectively.

[41] Article 3(c) of the respective agreement specified that the term of the lease may be extended by one year, only once, provided that notice of such renewal is given in writing no less than 60 days prior to the expiration of the term of lease.

[42] Including employer's share of national insurance contribution.

Part-time employment arrangement and vacation leave entitlement

An officer formally engaged as a local council assistant on a part-time basis, working approximately 45 hours per month, claimed 1,222 hours of overtime for performing maintenance works in 2025. These hours, which were not formally authorised, were paid at the standard hourly rate. However, the level of overtime claimed was exceptionally high when compared to the 540 contracted hours for the year; in fact, it exceeded the employee's contracted hours by more than twofold. If all these extra hours were actually required, this situation questions whether the contractual arrangement accurately reflects the Council's operational needs.

Unutilised vacation leave

The Local Government (Human Resources) Regulations (S.L. 363.20)[43] stipulates that vacation leave may be carried over from one year to the next for no more than two consecutive years, but only with the Council's written authorisation and up to a limit of 48 hours.

However, the unutilised vacation leave carried forward by seven employees not only exceeded the limits prescribed by the Regulations but also lacked the required approval from the Council.

Weaknesses in the award of performance bonuses

Non-clerical Council's employees are generally entitled to a performance bonus of up to 6% of their salary. In accordance with the Collective Agreement 2024-2028, clerical staff are entitled to a higher performance bonus of up to 10% of their salary.

The applicable bonus percentage should be based on the employee's performance, as assessed by the Council through a biannual performance appraisal, using the prescribed assessment form. The maximum bonus percentage is only to be awarded where an employee's performance significantly exceeds the requirements of their position. Audit procedures carried out highlighted the following concerns:

a. Five employees whose duties did not fall within the clerical category were awarded performance bonuses above the 6% maximum stipulated under the applicable regulations. The employees[44] concerned were primarily engaged in maintenance and gardening duties.

b. All employees, with the exception of two[45], were awarded the maximum performance bonus percentage of 10%, irrespective of their duties. These were approved during a Council meeting held on 3 February 2026. However, requests to provide the criteria used to determine the applicable performance bonus percentage were simply met by a spreadsheet setting out the percentages awarded to employees and the corresponding bonus calculations. No other supporting evidence demonstrating how the respective bonus percentages were determined was provided for audit purposes.

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[43] Article 20(1).

[44] Four employees were awarded a performance bonus of 10%, while the other employee received a performance bonus of 7%.

[45] The clerk who resigned in September 2025 (assigned 6%) and an employee engaged as a Tradesman Mason (assigned 7%).

Same risk covered by two policies and incomplete updating of insurance coverage

The Councillors and the Council's employees are each covered by two separate insurance policies, both of which provide coverage for the same risk.

Furthermore, upon the engagement of new employees, the insurance policy maintained through LCA was not updated to include the new recruits. Moreover, the list of employees covered under the insurance policy of the other service provider was not provided for audit purposes.

Motor vehicle management deficiencies

With effect from 1 January 2025, the Council entered into a one-year agreement for the leasing of a pickup van from a third party at the monthly rate of €590. The following deficiencies were noted:

a. Notwithstanding that the amount expensed, totalling €7,080, merited a public call for quotes, the lease was procured by direct order.

b. Although the legal and juridical representation of the Council is vested in the Mayor and the ES[46], the agreement covering the foregoing lease bears only one signature. Moreover, the signatory's name is not indicated. Thus, the identity of the person who endorsed the agreement on behalf of the Council could not be established. Furthermore, the date of endorsement of the agreement was also not indicated.

c. A logbook recording the mileage covered for each journey and endorsed by the officer undertaking the journey, as required by Section 5(iv) of the Manual on Transport and Travel Policies and Procedures, was not maintained.

Shortcomings in relation to twinning activities

The Council has a twinning arrangement with the municipality of Agira (Sicily). During 2025, this arrangement materialised through a local event held in connection with the celebration of St. Philip's feast, during which representatives from Agira visited the locality.

a. The Council hosted a dinner costing €715[47] that was attended by 15 individuals[48], resulting in a per capita cost of around €48. This amount exceeded the allowable threshhold of €30 per head set in Memo 8/2011.

b. A report providing pertinent details of the respective event and the related expenditure was not compiled and forwarded to LGD as required by the Local Government (Twinning) Regulations (S.L. 363.141)[49].

[46] Article 27 of the Local Government Act.

[47] The receipt provided as supporting documentation for this expenditure was not itemised.

[48] As per information provided by the Council, the dinner was attended by a representative of each political group from the Council, the ES and 11 members of the Agira delegation.

[49] Article 10(1).

Non-compliance with regulatory requirements governing reimbursement claims

Disclosed in the schedules of payment was an aggregate amount of €2,959 relating to reimbursements to Councillors for out-of-pocket expenses incurred on behalf of the Council. The Local Government (Financial) Regulations (S.L. 363.01)[50] require claims for reimbursement of expenses incurred by Councillors or employees in the execution of their duties to be submitted on the prescribed form and duly certified by the ES within five days following the end of the financial month in which the expense was incurred. However, sample testing revealed instances where claim forms were not prepared, while reimbursements were effected in respect of expenses incurred several months earlier, and in some cases years before.

It was further noted that certain payments were not supported by a fiscal receipt, where applicable. In addition, two reimbursement claims were supported solely by self-issued invoices prepared by the respective Councillor, with no independent evidence provided to substantiate the expenses being claimed.

Overall, the Council agreed with the audit findings and acknowledged the need and commitment to address the weaknesses identified. Additional comments included the following:

- *Bank deposits will be done more frequently, whilst spreadsheets will be updated to reconcile monies collected with the respective deposits. Furthermore, in line with the Local Government (Financial) Regulations, the officer responsible for handling cash will account to the ES on a daily basis for all monies received. In cases where the daily reconciliation is not printed, the officer will confirm through an email which will be retained for future reference, that the cash balance agrees with the system report.*

- *A comprehensive register covering all existing and planned commitments relating to services and works will be introduced. This will enable the Council to monitor its commitments and verify whether valid contracts are in place. Where no valid contract exists, the Council will take the necessary action to regularise the procurement and contractual arrangements. Where required, a public call for tenders will be issued. For expenditure falling below the threshold requiring a public call for tenders, the Council will obtain the necessary quotations in accordance with the applicable procurement procedures. The register will continue to be reviewed on a monthly basis.*

- *The tender evaluation and award procedures will be strengthened to ensure that meetings of the Evaluation Committee are properly documented, its recommendations are formally reviewed and approved by the Council prior to the award of the contract, and such decisions are duly recorded in the Council's minutes. Furthermore, contract award notices will be published on the electronic public procurement portal in accordance with the applicable guidelines.*

[50] Article 27.

- *Invoices will be reviewed and certified correct by an authorised officer before payment is processed. The Council will endeavour to discontinue the practice of making payments on account and ensure that all payments are appropriately matched and allocated to the corresponding invoices. In addition, suppliers are being chased to submit the fiscal receipt, once payment is issued.*

- *Petty cash vouchers are being monitored and signed by the ES. Furthermore, thorough measures are being taken to ensure that schedule of payments and petty cash lists are properly updated and maintained.*

- *Effective controls will be implemented to ensure that statutory documentation is uploaded on the Council's website within the stipulated timeframes.*

- *The Council will make its utmost to rectify any other matter raised and adhere to the circulars and guidance issued by LGD.*

6. Strengthening Local Government: Progress achieved and recommendations for further improvement

The weaknesses in internal controls identified in the preceding chapter indicate that the issues faced by Councils go beyond adherence to established procedures and extend to their capacity to recognise underlying deficiencies, improve internal processes, anticipate future financial obligations and make effective use of the resources entrusted to them for the benefit of their communities.

In this context, this chapter focuses on strengthening good practices, addressing recurring weaknesses and identifying further improvements to meet evolving needs and responsibilities. The recommendations are presented under two complementary areas: those directed at Councils, in view of their responsibility for the administration and management of their respective localities, and those addressed to LGD, considering its wider role in coordinating, overseeing, monitoring and supporting local government operations.

Recommendations addressed to Local Councils

Timely submission and quality of financial statements

This recommendation is considered a sine qua non condition for each and every Local and Regional Council in Malta and Gozo. Thus, the LGD should do anything permissible by law to ensure that this is complied with by all local government authorities, without any exception.

Thus, robust financial reporting arrangements are essential to ensure that financial statements are accurate, reliable and submitted within the prescribed deadlines. This requires sound day-to-day accounting practices, timely reconciliations and the resolution of discrepancies, adequate supporting documentation, appropriate internal controls and a structured year-end closing process with clearly assigned responsibilities. Particular attention is to be given to the accurate recording and review of key areas, including grants, assets, receivables, payables and payroll. Furthermore, financial records are to be maintained and kept up to date throughout the year rather than addressed primarily as the annual audit approaches.

In addition, Local Authorities are to ensure that personnel responsible for preparing their financial statements possess the necessary professional qualifications and remain up to date with applicable accounting standards and regulatory requirements. Accordingly, Councils are to ensure that accounting functions are entrusted to suitably qualified professionals who undertake continuous professional development to keep abreast with changes in accounting standards, legislation and financial reporting practices. Furthermore, Local Authorities are to ensure that financial statements are prepared accurately and are subject to appropriate review and verification procedures to ensure that they are free from casting errors, computational inaccuracies, and discrepancies between the amounts and disclosures presented on the face of the financial statements and those provided in the accompanying notes to the financial statements.

This would enhance the reliability of financial information, facilitate timely reporting and strengthen financial oversight, accountability and informed decision-making.

Strengthening administrative capacity and internal procedures

The effectiveness of financial reporting and governance depends on staff possessing the necessary skills, knowledge and professional expertise. Ongoing training and professional development are therefore essential to ensure that personnel manage public funds responsibly and adapt to changes in regulatory and reporting requirements. In this regard, the NAO reaffirms its commitment to actively participate in any training programmes organised in this important area of government. Strengthening institutional capacity is particularly important in smaller Local Authorities, where limited resources make flexibility and cross-functional knowledge especially valuable.

These efforts should be complemented by documented procedures and clearly assigned responsibilities for key financial and administrative activities, including payment processing, bank reconciliations and contract management, thereby promoting consistency, improving accountability and minimising the risk of errors and irregularities.

Improving financial management and budgetary discipline

Annual budgets and five-year business plans are to serve as practical instruments for financial planning and decision-making rather than merely fulfilling administrative requirements. These are to be compiled on realistic forecasts, existing commitments, planned initiatives, anticipated revenue and expenditure, and future service demands. Actual financial performance is to be reviewed periodically against approved plans, with significant deviations examined and appropriate corrective measures implemented.

Regular monitoring of cash flow, outstanding liabilities, and receivables can provide valuable insights to support sound financial decision-making. Projects and significant expenditure commitments are to be assessed for affordability and their long-term financial implications. This approach would help Councils anticipate financial pressures, allocate resources in line with community needs, and maintain financial sustainability over time.

Public accountability

Public confidence depends on openness, responsible decision-making and a genuine commitment to serving the community. Councils are expected to communicate clearly with residents about how public funds are managed, how priorities are established and how initiatives are progressing, while maintaining appropriate records to support accountability. Equally important is the responsibility to maintain an ongoing dialogue with their communities, giving residents meaningful opportunities to express their views and contribute to decisions that affect their daily lives. By actively listening to citizens and taking their needs and concerns into consideration when setting priorities and delivering services, Councils can strengthen public trust and ensure that local governance remains transparent, inclusive and responsive to the people it serves. Only thus, can our citizens' trust in Local Councils be duly regained.

Strengthening the Local Government Division's oversight and monitoring framework

A risk-based approach to oversight

A more targeted risk-based approach to monitoring will support LGD in directing its monitoring towards Local Councils undergoing greater financial, governance or compliance risks, taking into account recurring audit findings, reporting delays, procurement weaknesses, financial pressures and progress in addressing identified deficiencies. Monitoring is to be extended beyond the timely submission of information to assess its reliability and whether corrective action has resulted in sustained improvement, supported by a common set of governance and financial indicators. Where weaknesses persist, targeted reviews, appropriate support and follow-up action could be undertaken. Proportionate sanctions in line with the law is to be applied where non-compliance remains unresolved.

Reviewing the financial sustainability of Councils

A consistent set of financial indicators covering liquidity, recurring deficits, outstanding obligations and the ability to meet commitments could support closer monitoring of Councils' financial sustainability. Where financial pressures are identified, appropriate recovery measures could be agreed with the Council concerned, including improved expenditure control, revenue collection and budget monitoring. Periodic review of funding arrangements could further help assess whether resources appropriately reflect the current needs of their communities. This matter has been consistently highlighted over the years by NAO. The latter is informed that the formula used for the allocation of funds to Local Councils is currently under review. As part of this process, external advisors were engaged to provide an independent and comprehensive assessment of the existing allocation model. Their recommendations will contribute to the development of a revised formula that promotes greater fairness and transparency.

Audit follow-up and targeted support

A phased action plan will ensure that audit recommendations are addressed systematically and result in tangible improvements across the local government sector. The plan should specify the measures to be undertaken, the parties responsible, expected completion dates and criteria for assessing progress, supported by a centralised system for recording audit findings and tracking remedial action.

Immediate priorities are to include resolving overdue audit matters, addressing delays in the submission of financial statements and tackling significant financial management and procurement concerns. Short-term improvements should focus on refining reporting procedures, establishing clear arrangements for corrective action, maintaining accurate administrative and financial records and strengthening routine monitoring. Medium-term reforms could involve expanding access to technical expertise, developing staff competencies through targeted training and improving digital record-management systems. Ongoing evaluation is to be undertaken to determine whether the measures introduced have resolved identified shortcomings, with progress regularly communicated to the relevant oversight bodies and further action taken where necessary.

This phased approach would provide a structured framework for strengthening accountability and securing sustained improvements in financial management and compliance.

Standardisation of financial reporting and accounting practices

In 2025, an outsourced accountant was commissioned to review financial transactions across Local Authorities and proposed a common Chart of Accounts, which was subsequently refined by the Finance and Procurement Compliance Directorate to better reflect Councils' specific activities.

The rollout of the new Chart of Accounts commenced in 2026, initially covering Councils that submitted their unaudited financial statements within the stipulated timeframe. Implementation across the remaining Councils is scheduled for 2027.

The new Chart of Accounts will promote consistency in financial reporting and the maintenance of accounting records across Local Authorities.

Promoting digitalisation

With the aim of promoting greater consistency, comparability and accountability across the local government sector, LGD embarked on a project to procure a common accounting software solution for all Councils. NAO was informed that the preliminary technical specifications had been prepared and forwarded to the Ministry's Information Management Unit for review. Discussions with suitably qualified information technology (IT) specialists are also planned to ensure that the tender requirements are aligned with the standards and protocols applicable across the public sector. In parallel, a new Director responsible for procurement was engaged within LGD to oversee the procurement process and the related documentation and administrative requirements.

The Finance and Procurement Compliance Directorate will remain actively involved throughout the process, contributing to the preparation of a comprehensive and technically robust tender document that reflects the operational, financial reporting and IT requirements of Councils.

Reviewing and updating the regulatory framework

A review of the subsidiary legislation, directives and administrative guidance applicable to Local Government is to be carried out to establish whether the existing framework continues to reflect current operational realities. Particular attention could be given to requirements that are no longer practical, lack clarity or present difficulties in their application. Where changes are considered appropriate, relevant stakeholders are to be consulted to ensure that existing safeguards are preserved while the regulatory framework remains clear, proportionate and feasible. This will promote more consistency in application, provide clearer guidance to Councils and reduce the risk of non-compliance.

Conclusion

The recommendations presented in this chapter are intended to help Councils identify financial and operational risks at an earlier stage and take timely action before these could effect the delivery of their services. However, this requires the collective efforts of LGD, Councils and other relevant stakeholders. Closer coordination, appropriate oversight and regular assessment of outcomes can contribute to greater consistency in governance and stronger operational practices across the local government sector.

Looking ahead, strategic planning merits greater attention alongside regulatory compliance. The performance of Local Authorities extends beyond accurate financial reporting and adherence to administrative requirements. It also depends on the responsible use of public resources, the maintenance of public confidence and the delivery of outcomes that make a meaningful difference to local communities. A sustained commitment to transparency, accountability, collaboration and continuous improvement will therefore remain essential to the effective functioning of Local Authorities.

7. Independent investigative audit

On 11 August 2025, in view of allegations concerning a former Councillor, in relation to her full-time employment with the Malta College of Arts, Science and Technology, the Siġġiewi Local Council unanimously resolved that an independent audit of its operations be undertaken.

A formal request for an independent investigative audit covering the period 1 July 2019 to 7 August 2025, encompassing the foregoing Councillor's period of tenure, was received by NAO on 14 October 2025. Following its assessment of the request, including meetings with the Council's Mayor, the minority leader and the ES, NAO decided to undertake the audit as requested.

The audit, conducted as a financial and compliance engagement, assessed the accuracy and fair presentation of the Council's financial statements, evaluated compliance with IFRSs and reviewed governance practices, compliance with relevant legislation, and the effectiveness of related internal controls.

Financial aspect

Considering that the Council's financial audits for the period 2019 to 2025 were carried out by LGA on behalf of the Auditor General, the findings reported by the aforementioned were relied upon as the basis for the relevant conclusions and no further testing was carried out in this area.

Compliance aspect

The compliance review was limited to the areas of responsibility[51] assigned to the former Councillor during the period under review and focused on assessing whether related operational activities were conducted in accordance with applicable laws, regulations, policies and procedures, and whether an appropriate separation of responsibilities existed between the political and executive arms.

The review was conducted using a risk-based audit approach, whereby audit fieldwork focused on those responsibilities considered to pose a higher level of risk to the Council, particularly those functions involving financial transactions and areas where weaknesses in internal controls could have a material impact.

For responsibilities assessed as presenting a lower level of risk[52], limited audit procedures were performed, given that these activities did not involve claims against the Council's funds. Consequently, assurance in these areas was based primarily on a review of the schedules of payment and nominal ledgers. Consideration was also

[51] Comprising animal rights and welfare initiatives, education, community projects, social integration and initiatives, public library, EcoSkola and STEM projects, Youth's Local Council (moderator), chairperson of the Evaluation Committee of tenders, and the Local Council's programme booklet (in co-ordination with the then Mayor).

[52] Only the position of Chairperson of the Evaluation Committee of tenders, the Local Council's programme booklet (in co-ordination with the then Mayor), and tasks related to education, were considered as risky areas.

given to the explanations and representations provided by the ES and the then Mayor regarding the nature of the activities undertaken by the concerned Councillor and the processes followed in carrying them out.

Audit methodology

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions, with due regard to independence, professional scepticism and professional judgement throughout the engagement. Audit procedures were designed to obtain sufficient and appropriate evidence to support the audit findings. These procedures included examination of financial records, review of supporting documentation, and an assessment of relevant legislation, policies and procedures. Interviews were conducted with key personnel, where necessary, to obtain an understanding of relevant processes and to corroborate audit evidence.

The audit methodology comprised the following procedures:

- An introductory meeting was held with the then Mayor and ES to obtain an overview of the Council's operational procedures during 1 July 2019 and 7 August 2025 and to analyse the nature and extent of involvement of the individual concerned in operational matters.
- Reviewed the operational, financial, and procurement records relating to the responsibilities assigned to the foregoing as a Councillor.
- Assessed whether any actions undertaken were inconsistent with the responsibilities assigned to the former Councillor, applicable legislation, and principles of good governance.
- Cross-checked information obtained through interviews against documentary evidence, wherever possible.
- Evaluated the reliability, relevance, and sufficiency of the evidence to support audit findings and conclusions.

Areas for improvement

Testing carried out, as outlined in Table 9, did not identify any evidence of fraud, embezzlement, or other financial irregularities linked to the responsibilities assigned to the former Councillor during her tenure. However, this assignment highlighted certain areas where existing practices, controls, and processes could be strengthened as indicated further down.

Table 9: Testing carried out

Area	Audit procedures carried out
Education	Verified whether the procurement of the services relating to educational programmes was carried out in line with the Local Government (Procurement) Regulations.
Chairperson of the Evaluation Committee	Verified whether the Evaluation Committee's recommendations had been submitted to the Council for approval before any contracts were awarded.
Reimbursement of expenses	Payment vouchers pertaining to reimbursements, as well as the supporting fiscal receipts were requested for verification.
Subsistence allowance	Independently recalculated the travel subsistence allowance to confirm the accuracy of the amount paid.

Educational and leisure courses

a. Irrespective of the amount involved to undertake the respective courses, the Council confirmed that tutors were selected directly from the open market, without conducting a formal competitive procurement process. Aggregate amount paid by the Council to tutors in respect of courses delivered from 2019 to 2024 totalled €58,766. According to the ES, selection was based on the subject, the amount charged and the tutors' availability[53].

b. Such services were not covered by a formal contract, duly endorsed by all relevant parties (the tutor, the ES and the Mayor) clearly establishing the deliverables, chargeable fees, and respective responsibilities.

c. According to the ES, the courses operated on a self-financing basis, with the tutor's fee being apportioned among the participants attending the course. It was also stated that participants settled their respective contributions directly at the Council's office, against the issuance of an official receipt. However, participation fees received by the Council were recorded in the nominal ledger as aggregate amounts and, due to omissions, as well as insufficient details, the figures could not be reconciled to the underlying records[54]. As a result, it could not be confirmed that the courses were self-financed since completeness of income could not be ensured.

d. None of the sampled paid invoices in respect of physical and sports activities were accompanied by a fiscal receipt, as required in terms of the Thirteenth Schedule to the Value Added Tax Act.

[53] The decision to continue engaging the same service provider was based on the positive outcomes achieved through previous service delivery. Participants' feedback had been consistently favourable, generating ongoing demand for the services. The extended engagement was therefore intended to ensure continuity while maintaining the quality of service and participants' satisfaction.

[54] The Council provided a spreadsheet detailing daily participation fees received; however, these could not be reconciled to the amounts recorded in the nominal ledger, and the completeness of the spreadsheet could not be established. For example, the latest transaction recorded during 2024 was dated 7 August, despite classes continuing during the last quarter of the year. In addition, several sampled invoices were undated and did not specify the period to which the services related.

Recommendations

Procurement must be carried out in a fair and transparent manner, treating all interested parties equally. Direct orders are to be resorted to only in exceptional cases, and after approval from the right level of authority is obtained. As far as possible, the Council is to plan its procurement needs in advance, to have enough time to request quotations from at least three different economic operators or issue a public call for tenders depending on the amounts involved. Furthermore, in terms of the Local Government Procurement Guidelines[55], procurement of similar goods and services that cumulatively within a calendar year exceeds €500 but does not exceed €5,000 must be supported by three formal quotations.

Contracts for service should be formalised through agreements that clearly define the rights, responsibilities, and obligations of all parties involved. This will strengthen internal controls and help mitigate the risk of potential disputes.

Participation fees are to be recorded in the nominal ledger in sufficient detail and not solely in aggregate amounts, so that the income recorded can be readily identified, traced and reconciled to the daily records maintained by the Council. Regular reconciliations are to be carried out between the participation fee records, supporting documentation and the nominal ledger, with any differences investigated and resolved promptly. This would strengthen the audit trail, improve the completeness and accuracy of income recorded in the accounts, and provide greater assurance that all participation fees received by the Council are fully and accurately accounted for.

Council's comment

In line with the Local Government (Procurement) Regulations and Directive No. 3/2017, all future educational and leisure courses will be strictly procured according to statutory thresholds.

The administrative office has restructured the chart of accounts. Each course will have dedicated sub-ledger accounts, separating income and expenditure. Course participation contributions will be logged individually at the time of payment, cross-referenced with sequential official receipt numbers, and reconciled monthly against attendance rosters and bank deposits to guarantee completeness of income.

No payment to any tutor or entity will be processed without a valid VAT fiscal receipt conforming to the Thirteenth Schedule of the Value Added Tax Act.

Procurement Evaluation Committee

a. The standard operating procedures and/or Guidelines for Tender Evaluation Committees[56], issued by LGD pursuant to Directive No. 01/2016 'Migrazzjoni sħiħa għall-Akkwist Elettroniku (Electronic Public Procurement System – ePPS)', required the Secretary of the foregoing Committee to maintain minutes of the findings and discussions held during the meetings of the Evaluation Committee. However, minutes to record the proceedings of the related meetings were not maintained.

[55] Article 3.1.
[56] Article 3.7.

b. The Procurement Guidelines 2017[57] stipulates that upon completing its evaluation, the Committee shall prepare a report containing its recommendations and all relevant supporting documentation, to be forwarded to the Local Council for approval, prior to proceeding with the award of the contract. Notwithstanding this, Council's approval was sought in only two of the seven instances whereby the former Councillor serviced as a chairperson. In another four instances, the Council was simply informed during a Council meeting that the contract had been awarded to the lowest-priced bidder. In the remaining case, the Council's minutes available on its website contained no reference to the award of the respective tender.

c. In breach of the Procurement Guidelines 2017[58], in six of the seven public calls for tenders reviewed, the award notice was not published on the electronic public procurement system. In the other case, although an award notice was uploaded, it was not accessible, as it was uploaded in draft format.

Recommendations

The outcome of the Evaluation Committee meeting is to be documented, providing a clear record of the ongoing discussions, evaluations, and decisions reached. When the evaluation process is concluded, the recommendations are to be submitted to the Council for approval of the selected bidder. This will ensure appropriate governance oversight and confirms that the award decision is made in accordance with established procedures. Furthermore, the publication of the contract award notice on the relevant portal enhances transparency and demonstrates compliance with applicable requirements.

Council's comment

Appointed Evaluation Committee Secretaries were instructed to maintain contemporaneous, detailed minutes of all committee deliberations, scoring sessions, and clarification requests in strict compliance with Article 3.7 of the Standard Operating Procedures for Tender Evaluation Committees.

In adherence to Article 14.1 of the Procurement Guidelines 2017, no public contract will be awarded or signed without a formal evaluation report being tabled, deliberated upon, and formally approved by resolution of the full Local Council.

Administrative checklists have been implemented within the ES's procurement workflows to ensure that all contract award notices, standstill notices, and summary evaluations are published on the e-PPS portal immediately following Council approval and prior to contract execution.

[57] Article 14.1.
[58] Article 13.2 (r).

Reimbursements

In accordance with the Local Government (Financial) Regulations[59], where reimbursement claims were supported by unitemised fiscal receipts, a payment voucher identifying the items purchased and endorsed both by the purchaser and the ES, was to be maintained. However, it was noted that three fiscal receipts were neither itemised nor supported by the relevant details.

Recommendations

Individuals submitting claims for reimbursement should provide itemised fiscal receipts to enable proper verification of the expenditure incurred. When receipts do not provide sufficient details, a payment voucher should be prepared, specifying the items procured. The voucher is to be duly endorsed by the claimant and the ES to ensure accountability and support the reimbursed claim.

Council's comment

Where an unforeseen purchase produces a generic or non-itemised fiscal receipt, a standardised internal payment voucher detailing the specific goods purchased, municipal business justification and breakdown of costs must be completed and signed by the claimant. It will also be formally approved and endorsed by the ES before any disbursement occurs.

[59] Article 23(4).

8. Issues requiring attention

This chapter highlights a number of matters that, although not directly arising from the individual Councils' audits, are considered relevant to the wider local government framework. It covers issues that have continued to require attention over recent years and matters arising from developments during the period under review.

NAO's assessment

- Progress made – LES: Assurance over the reliability of system data

  Since October 2015, the Local Enforcement System Agency (LESA) has been responsible for managing the LES, although the IT system used to record contraventions remains to be operated by the external service provider, who originally designed it. Revenue from contraventions recorded after 1 October 2015 pertained to LESA, while the Councils retained responsibility for collecting outstanding payments issued before the transfer[60] and received a 10% administrative fee on the contraventions settled within their respective localities.

  In response to earlier recommendations, in March 2021, LESA concluded a review of its IT practices based on elements of Control Objectives for Information and Related Technologies (COBIT) framework. NAO acknowledged this as a positive step; however, further follow-up was considered necessary to ensure that the recommendations outlined in the IT audit report were fully implemented. NAO was not informed that such follow-up was yet concluded. Consequently, the issue continued to contribute to a qualified audit opinion for Regional Councils, as the absence of sufficient assurance regarding the accuracy and reliability of system-generated data limited the extent to which the amounts reported in the financial statements could be relied upon.

  Acting on the recommendation made by this Office, LGD convened discussions with LESA and the supplier responsible for maintaining the IT system. The discussions, which also involved representatives from the Councils' accountants and auditors, sought to examine the recurring differences between the balances generated by the system and those reflected in the Councils' accounting records. To resolve this issue the Finance and Procurement Compliance Directorate within LGD, in September 2025, initiated a sample review comprising five Councils.

  The objective was to assess weaknesses in how LES debtors are recorded in the Councils' books of account and propose a structured monthly reconciliation process. The service provider was requested to submit detailed LES debtors' movement reports for each sampled Council; however, these were not provided to the Directorate. Meanwhile, despite the Directorate's efforts to supply the necessary information[61] in this regard to the service provider, the latter's delayed response[62] that the information was insufficient prevented the exercise from achieving its intended outcome in a timely manner.

[60] Funds received from contraventions issued prior to 1 September 2011 were due to the Joint Committees and/or Local Councils, whilst those issued between 1 September 2011 and 30 September 2015 were payable to the Regional Councils.

[61] LES debtors' balances as recorded in the Councils' books of accounts.

[62] The Directorate corresponded with the service provider on 14 October 2025 with the latter responding back on 29 March 2026.

Consequently, on 25 June 2026, following insistence by the President (LCA), another meeting at the LCA premises, Marsa, was held with the parties concerned[63]. It was unanimously agreed that the matter required further examination, with particular emphasis on following up outstanding recommendations from the previous review. Accordingly, an independent audit firm was engaged to conduct a system audit. The objectives of the audit are twofold as outlined hereunder:

a. Specifically focus on the audit trails and monitoring of logs associated with any potential changes to contraventions (for example cancellation, deletions, changes in the related amounts charged and changes in connection with the death of the persons charged with the contravention), through the verification of the complete processing cycle of a representative sample of contraventions, from issuance to final settlement, along with the corresponding audit trail; and

b. Carry out a process audit on how the system calculates the distribution of the collected funds due to LESA, Regional Councils and Local Councils, including verification of the underlying allocation logic, audit trails, logging mechanism and monitoring controls.

At the time this report was finalised for publication, the IT system audit was still in progress.

- Further action required – Joint Committees: 14 years on, liquidation is still pending

The nine Joint Committees were to be liquidated a year following the inception of the Regional Councils on 1 September 2011. However, fourteen years later, this issue is unfortunately still pending. Acknowledging the significance of this matter, the Finance and Procurement Compliance Directorate within the LGD dedicated considerable effort towards advancing the liquidation process and minimising further setbacks. Notwithstanding these efforts, the lack of adequate documentation supporting receivable balances from LES hindered the appointed accountant from fulfilling the agreed scope of work, including the preparation of complete and reliable financial statements reflecting the financial position of the defunct Joint Committees. Consequently, the accountant had no option but to withdraw from the engagement, resulting in the suspension of the liquidation process.

With the aim to identify practical measures that would yield results, meetings were held with key stakeholders[64], during which LGAs recommended that, prior to determining the most appropriate accounting treatment in the current scenario, the service provider responsible for the system be consulted to assess whether the required data[65] could be extracted from the system's back-end environment. In response, the service provider confirmed that no snapshot of the data as of 31 August 2011, was available. Consequently, the information would need to be reconstructed retrospectively, using available records and reconciled with transactions recorded in subsequent years. This is expected to be a complex and resource-intensive exercise, given that the records date back more than a decade and the supporting documentation available is limited.

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[63] Representatives from LCA, LGD, Regional Councils, NAO, LESA and the IT system provider.

[64] Representatives from LGD, NAO and LGAs.

[65] This includes outstanding receivable balances as at 31 August 2011, being the date on which responsibility for the management of the LES ceased to fall within the Joint Committees' remit, together with payments received as at to-date.

- Long-outstanding concern – Implementation of key performance indicators

  Performance indicators help Local Councils, evaluate their performance on a regular basis. In this regard, LGD should consider introducing a financially sustainable internal monitoring framework to periodically assess Councils' performance against established indicators. Such a mechanism would strengthen accountability, foster ongoing improvement and enable resources to be directed towards areas requiring greater attention. These indicators would also eventually enable NAO to carry out value for money audits as required by standing regulations.

Conclusion

Whilst progress achieved is acknowledged, continued commitment to addressing these issues is essential to ensure sustainable improvement and support sound governance and accountability.

9. Local Government in focus

Local Authorities are supported by a broader network of bodies and initiatives that contribute to the effective delivery of services and the sustainable development of local communities. In addition to the responsibilities carried out by individual Local Councils, Regional Councils and LGD, as well as various Government-supported programmes, play an important role in strengthening the sector. This chapter outlines the activities and contributions of these bodies during the year, focusing on the schemes, collaborative efforts and support measures introduced to address community needs, enhance local services and promote continued development across localities.

Regional Councils – Working across localities

The six Regional Councils help coordinate the work of Local Councils and address issues that affect communities across their respective regions. Their responsibilities include encouraging collaboration between the latter, overseeing projects that benefit multiple localities, coordinating shared services, and supporting initiatives related to culture, social well-being, environmental protection and economic growth. They also promote public involvement in regional matters and cooperate with national authorities to improve residents' quality of life.

An important part of their role is the organisation of waste collection services in the localities within each region. Since 2022, Regional Councils have been responsible for procuring these services through tendering procedures and for managing the related collection contracts. This regional approach aims to improve the coordination and efficiency of waste collection, encourage recycling and ensure that collection services follow the standard agreed schedules.

Supporting Local Government

The Finance and Procurement Compliance Directorate within LGD plays an important role in promoting sound financial governance, accountability and regulatory compliance across Councils. Since its establishment in June 2021, the role of this Directorate has expanded beyond compliance monitoring to encompass broader governance and advisory responsibilities. Its work now includes financial and procurement oversight, technical guidance, stakeholder engagement and support to Local Authorities in addressing complex operational and financial matters.

During the year under review, the foregoing Directorate continued to promote good governance across Councils through a number of measures and initiatives, including the following:

- Maintained oversight of the financial reporting and audit process, as far as possible including the timely submission of the financial statements and the resolution of audit adjustments.

- Provided practical support to Councils on financial management, comprising guidance on budgetary control, financial reporting, accounting practices, internal controls and audit documentation. Support was also extended to Councils experiencing financial difficulties in developing recovery plans and taking corrective action, while structured training on budgetary control is planned for December 2026.

- Enhanced its follow-up on matters raised in the management letters and the related responses submitted by Councils. During the year, 18 Councils were selected to monitor progress in implementing remedial action. Updates provided are reviewed by the Directorate and, where necessary, followed up through meetings with the respective ESs. This ongoing exercise forms part of a wider four-year approach to monitoring how Councils address audit findings.

- Monitored the implementation of action plans submitted by Councils to address concerns identified by NAO through compliance audits, with the necessary corrective measures expected to be implemented within 90 days.

Compliance reviews

The 10 compliance reviews initiated in 2025, focusing on cash-handling procedures and the overall management of cash office operations, were completed. A further 23 reviews were subsequently launched to assess whether procurement activities complied with the applicable requirements and were supported by adequate documentation, approvals and controls. As at the end of October 2026, six of the procurement check reviews were finalised.

Procurement plan reviews

The Directorate conducted a structured review across 28 Local Councils to assess the extent to which the procurement plans as required by Directive No. 06/2019 'Procurement Plan', issued by LGD, were compiled. Meetings and subsequent follow-ups emphasised the importance of timely procurement planning, proper documentation of decisions in Council minutes, and early consultation with the Directorate when difficulties arose. A consolidated report was subsequently issued, highlighting recurring findings, common weaknesses and areas requiring improvement. Each review was supported by documented minutes setting out the decisions taken by the respective Council and the measures agreed upon to address the weaknesses identified.

Internal audits

Following a public call for tenders issued in January 2026, a private entity was engaged to provide internal audit services to LGD for a 24-month period, as from July 2026. The master internal audit plan provides for 15 internal audit reviews across 12 potential audit areas identified by the Directorate, with four Councils sampled in each review. The objectives of these reviews are as follows:

- evaluate the adequacy and effectiveness of internal controls;
- assess whether financial and administrative processes operate effectively and efficiently;
- assess compliance with applicable legislation, regulations, accounting standards, circulars, directives, contractual conditions and approved procedures, where applicable;
- identify process weaknesses, control gaps, inefficiencies and bottlenecks;
- assess whether public resources have been used economically, efficiently, effectively and prudently;

- determine whether operations are conducted in the interest of citizens and in accordance with the Councils' objectives;
- identify opportunities for process enhancement or re-engineering;
- provide practical, proportionate and risk-based recommendations;
- support management in understanding the available options for addressing identified risks; and
- consider relevant issues raised by the Auditor General, external auditors and previous internal audit reviews, as applicable.

By the end of October 2026, one assignment[66] had been completed, while a further three[67] were underway and expected to be finalised by December 2026.

Planning ahead

Looking ahead, the Directorate plans to undertake a number of initiatives, designed to further strengthen financial governance, accountability and internal controls, while fostering consistent financial management practices across Local Authorities.

a. Establishment of a Ministerial Audit and Risk Committee

The Directorate intends to recommend to the Permanent Secretary the establishment of a Ministerial Audit and Risk Committee to provide a formal, high-level forum for the presentation and consideration of audit reports and other governance-related findings. The Committee would oversee the follow-up of audit recommendations and encourage the timely implementation of corrective action. Where necessary, Mayors and ESs may be required to attend meetings to provide explanations on identified issues and updates on progress made. The Committee would also be empowered to recommend for the approval of the Permanent Secretary more stringent measures where circumstances warrant.

b. Development of standard operating procedures

Drawing on the outcomes of internal audits and compliance reviews, the Directorate intends to develop standard operating procedures for adoption across all Councils. These procedures are expected to bring greater consistency in financial and administrative practices, address recurring control weaknesses, facilitate compliance with applicable legislation, and strengthen governance, accountability and operational efficiency.

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[66] This covered the management and administration of custodial funds and the charging of 10% administration fee by Local and Regional Councils when collecting revenue from contraventions.

[67] The review overed these areas: the administration and financial management of capital projects, travel, community and hospitality, including social events, as well as the administration and governance aspects of outsourced professional services for the drafting and evaluation of tender documents. Each area will also include an assessment of the procurement procedures applied.

c. Standardisation of financial statement presentation

Building on the standardised Chart of Accounts, the Directorate plans to introduce a uniform financial reporting framework across all Local Authorities. A standard approach to the presentation of financial statements is expected to enhance consistency, transparency and comparability, while providing a stronger basis for financial analysis, consolidated reporting and effective oversight by LGD.

d. Development of enhanced financial ratios

Following the introduction of the standardised Chart of Accounts, the Directorate plans to develop a broader set of financial ratios to assess Councils' liquidity, financial sustainability, financial position and operational performance. These indicators are intended to provide a more consistent basis for comparison across Councils, facilitate the early identification of emerging financial pressures and support more targeted, risk-based monitoring and timely corrective action.

Investing in Local Authorities

Councils remain central to enhancing the well-being of their communities by implementing measures that promote social inclusion, improve accessibility, protect the environment and foster a better quality of life for residents. In support of these priorities, the relevant Ministry, through LGD, introduced various funding opportunities and initiatives aimed at assisting Local Councils across Malta and Gozo in addressing local needs and delivering community-focused projects.

Governance Action on the NAO's Report – On 28 September 2026, the Principal Permanent Secretary presented the follow-up report to the Auditor General. For the first time, the 2026 governance action exercise included the developments on the three compliance audits carried out by NAO during the previous year. These audits identified a total of 111 actions aimed at bringing Council operations into closer alignment with good governance practices, 96% of which had been addressed.

Over €3M allocated for community projects – Almost €3.2 million was allocated to fund a total of 45 projects by Local Councils across Malta and Gozo, including 12 in Gozo. The projects aim to improve residents' quality of life through the development of open spaces, recreational facilities, accessibility and inclusion initiatives, environmental sustainability and infrastructure improvements. The scheme will also support services, such as free transport for residents and exercise equipment in public spaces, in line with the objectives of Malta Vision 2050.

€5M in additional funding through schemes – In February 2026, the then Parliamentary Secretary for Local Government announced an additional €5 million in funding through schemes, administered by LGD, aimed at promoting culture, infrastructure and maintenance, among other areas. The increase in funding from over €4 million in the previous year to €5 million in 2026 reflects Government's continued commitment towards supporting Local Councils in delivering quality services, activities and projects for residents. It was emphasised that the fresh and innovative ideas that young people can bring, together with the experience of older generations, are important in helping Local Authorities to take the best decisions for our residents.

Local Councils encouraged to develop child-focused projects – The TFULIJA[68] Quality Label was launched on 19 February 2026 to recognise the work of Local Councils and organisations in developing child-friendly public spaces and initiatives. The initiative encourages Councils to involve children in planning and use of public spaces, in line with Malta Vision 2050. The label assesses projects against key criteria, including child participation, safety, inclusion, health and accessibility, with bronze, silver and gold recognition valid for three years.

A digital platform to bring all Local Council services together – All Local Council services across Malta and Gozo will eventually be amalgamated through the development of a digital platform; an investment of approximately €800,000. In line with Malta Vision 2050, the platform will allow residents to access services online through a website or mobile app, including services currently available only in person, as well as a chatbot facility. This will improve communication between residents and Councils, simplify administrative processes, and help the latter better understand community needs. While services will remain available at the Councils' offices, the platform will offer residents a more convenient digital alternative.

Training courses for Local Council members – Elected members and employees of Local Councils received specialised training to strengthen their skills and improve service delivery. Launched in 2025, following the introduction of the National Training Strategy for the Local Government Sector, the programme is supported by the European Social Fund and has a total value of approximately €600,000, of which around €530,000 is EU-funded. Investing in human resources through training, study visits and practical experience, is of key importance to ensure more professional and efficient services for residents, in line with Malta Vision 2050.

Beneficiaries of the Cultural Activities Scheme – A total of 42 Local Councils[69] benefitted from €780,000 in funding under the Cultural Activities Scheme to organise festivals, concerts and community initiatives that strengthen the local cultural identity.

Conclusion

Although meaningful efforts have been undertaken, continued progress is necessary to strengthen the local government sector with particular emphasis on improving the timeliness and accuracy of financial reporting, taking concrete action to address the root cause of longstanding and recurring weaknesses and maintaining a legislative framework that is responsive to the evolving operational needs.

By fostering a shared sense of responsibility and accountability, maintaining open dialogue and ensuring effective cooperation among all stakeholders, the sector can continue to build on the progress achieved and move closer to fulfilling its objectives. Ultimately, these collective efforts should remain focused on serving communities in a manner that is transparent, fair, accountable and responsive to their needs. Only thus can Local and Regional Councils aspire to continue regaining the trust of their citizens.

[68] Towns & Villages For Us: Living, Inclusive, Joyful and Accountable.

[69] 33 in Malta and 9 in Gozo.

Appendices

Appendix A – Financial allocation

Table 1: Income received by Local Councils

Local Councils	Population as per Census of Population and Housing 2021	Government allocation 1 January – 31 December 2025[70]	Other supplementary income received from Central Government	Other income generated by the Council	Totals
		€	€	€	€
Attard	12,268	784,096	50,225	69,725	**904,046**
Balzan	4,774	328,887	50,597	58,879	**438,363**
Birgu	2,261	345,808	297,413	322,686	**965,907**
Birkirkara	25,807	1,438,289	33,838	422,545	**1,894,672**
Birżebbuġa	11,844	838,658	59,370	75,695	**973,723**
Bormla	4,654	482,187	103,438	92,856	**678,481**
Dingli	3,865	399,378	60,017	49,542	**508,937**
Fgura	13,066	683,791	60,038	95,133	**838,962**
Floriana	1,985	413,514	63,264	140,544	**617,322**
Fontana	1,042	192,994	39,479	9,952	**242,425**
Gudja	3,229	336,742	422,554	29,991	**789,287**
Gżira	10,331	657,351	151,447	232,450	**1,041,248**
Għajnsielem	3,523	391,731	-	-	**391,731**
Għarb	1,549	292,173	-	-	**292,173**
Għargħur	3,741	304,280	-	-	**304,280**
Għasri	518	224,669	-	-	**224,669**
Għaxaq	5,538	454,258	44,213	36,655	**535,126**
Ħamrun	10,514	783,110	-	-	**783,110**
Iklin	3,399	308,857	33,587	40,081	**382,525**
Isla	2,304	328,292	101,067	48,013	**477,372**
Kalkara	3,105	304,356	97,111	46,594	**448,061**
Kerċem	1,881	315,356	-	-	**315,356**
Kirkop	2,527	265,846	62,181	40,226	**368,253**
Lija	3,162	313,866	27,873	22,600	**364,339**
Luqa	7,249	486,120	46,413	33,290	**565,823**
Marsa	5,468	595,851	401,104	55,090	**1,052,045**
Marsaskala	16,804	1,015,682	106,793	98,429	**1,220,904**
Marsaxlokk	3,988	389,925	244,506	66,728	**701,159**
Mdina	193	244,167	69,880	93,381	**407,428**
Mellieħa	12,738	1,190,814	72,046	123,201	**1,386,061**
Mġarr	4,840	498,584	42,585	69,326	**610,495**

Appendix A – Financial allocation *cont./*

Table 1: Income received by Local Councils *cont./*

Local Councils	Population as per Census of Population and Housing 2021	Government allocation 1 January – 31 December 2025[70]	Other supplementary income received from Central Government	Other income generated by the Council	Totals
		€	€	€	€
Mosta	23,482	1,338,720	135,540	272,575	**1,746,835**
Mqabba	3,525	327,154	-	-	**327,154**
Msida	13,587	656,304	54,583	191,107	**901,994**
Mtarfa	2,566	314,531	89,972	45,292	**449,795**
Munxar	1,707	296,020	60,493	109,725	**466,238**
Nadur	4,548	507,316	-	-	**507,316**
Naxxar	16,912	1,139,862	114,811	135,005	**1,389,678**
Paola	9,339	743,043	79,843	110,584	**933,470**
Pembroke	3,545	491,003	6,255	434,520	**931,778**
Pietà	5,892	394,818	43,905	131,561	**570,284**
Qala	2,300	359,125	-	-	**359,125**
Qormi	18,099	1,232,506	79,131	190,560	**1,502,197**
Qrendi	3,148	414,167	100,131	18,858	**533,156**
Rabat (Gozo)	7,242	608,565	25,203	90,463	**724,231**
Rabat (Malta)	11,936	1,176,854	95,733	154,512	**1,427,099**
Safi	2,641	303,430	52,420	58,425	**414,275**
San Ġiljan	11,653	870,542	-	-	**870,542**
San Ġwann	14,244	937,717	71,905	101,720	**1,111,342**
San Lawrenz	772	198,644	-	-	**198,644**
Sannat	2,186	277,390	-	-	**277,390**
San Pawl il-Baħar	32,042	1,801,206	100,232	236,232	**2,137,670**
Santa Luċija	2,617	385,888	58,672	37,886	**482,446**
Santa Venera	8,834	520,023	52,407	56,724	**629,154**
Siġġiewi	9,318	850,473	282,812	145,685	**1,278,970**
Sliema	19,655	1,275,357	67,253	311,815	**1,654,425**
Swieqi	13,044	760,435	92,839	70,214	**923,488**
Ta' Xbiex	2,092	268,450	-	-	**268,450**
Tarxien	9,464	593,328	50,731	103,021	**747,080**
Valletta	5,157	791,327	-	-	**791,327**
Xagħra	5,161	622,304	32,520	33,281	**688,105**
Xewkija	3,555	404,232	-	-	**404,232**
Xgħajra	2,192	254,103	123,697	9,621	**387,421**

Appendix A – Financial allocation *cont./*

Table 1: Income received by Local Councils *cont./*

Local Councils	Population as per Census of Population and Housing 2021	Government allocation 1 January – 31 December 2025[70]	Other supplementary income received from Central Government	Other income generated by the Council	Totals
		€	€	€	€
Żabbar	17,148	1,014,501	74,634	112,673	**1,201,808**
Żebbuġ (Gozo)	3,303	556,922	131,221	73,021	**761,164**
Żebbuġ (Malta)	13,785	905,392	34,811	149,774	**1,089,977**
Żejtun	12,409	926,860	148,446	148,405	**1,223,711**
Żurrieq	12,295	877,399	92,106	108,202	**1,077,707**
Totals		**41,005,543**	**5,093,345**	**6,015,073**	**52,113,961**

[70] Instances have been noted whereby the Government allocation as recorded in the financial statements did not reconcile to the data provided by LGD. The difference was netted off against either 'Other Supplementary Income received from Central Government' or 'Other Income generated by the Council' to illustrate the actual allocation forwarded by LGD to the respective Council.

Appendix A – Financial allocation *cont./*

Table 2: Income received by Regional Councils

Regional Councils	Government allocation 1 January – 31 December 2025	Other income received from Central Government	Local Enforcement System Agency reimbursement	Other income generated by the Council	Totals
	€	€	€	€	€
Eastern Regional Council	666,666	5,079,193	323,038	103,377	6,172,274
Gozo Regional Council	666,666	2,731,243	29,975	274,000	3,701,884
Northern Regional Council	666,666	5,519,476	97,300	61,859	6,345,301
Port Regional Council	666,666	3,456,374	68,753	38,818	4,230,611
Southern Regional Council	666,666	4,909,751	152,726	16,339	5,745,482
Western Regional Council	666,666	2,826,884	-	102,659	3,596,209
Totals	**3,999,996**	**24,522,921**	**671,792**	**597,052**	**29,791,761**

Source: 'Government allocation' – as per LGD Circular No. 06/2024.

Notes: Figures of 'Other supplementary income received from Central Government', 'Other income generated by the Council' and 'Local Enforcement System Agency reimbursement' are as disclosed and categorised on the face of the Statement of Comprehensive Income of the respective Councils. Where necessary, adjustments were made as explained in footnote 70.

'Other supplementary income received from Central Government' includes income received from Government over and above the official allocation, for example grants in relation to operating expenditure and additional funds disclosed in Appendix B.

'Other income generated by the Council' also includes interest earned on bank balance.

Income received by Regional Councils in relation to waste management was presented under the category of 'Other income received from Central Government' in the table above. However, the same income may have been classified under a different category in the financial statements.

Appendix B – Additional funds available for distribution to specific Local Councils

Local Councils	Tourism Zones Fund	Capital, ex-Capital and Cities Fund	Total additional funds
	€	€	€
Birgu	7,000	35,000	42,000
Bormla	7,000	10,000	17,000
Gżira	3,000	-	3,000
Għajnsielem	3,000	-	3,000
Isla	7,000	10,000	17,000
Marsascala	7,000	-	7,000
Marsaxlokk	7,000	-	7,000
Mdina	3,000	35,000	38,000
Mellieħa	7,000	-	7,000
Munxar	3,000	-	3,000
Qormi	-	10,000	10,000
Qrendi	3,000	-	3,000
Rabat (Gozo)	-	10,000	10,000
Rabat (Malta)	3,000	-	3,000
San Ġiljan	20,000	-	20,000
San Lawrenz	7,000	-	7,000
San Pawl il-Baħar	20,000	-	20,000
Siġġiewi	-	10,000	10,000
Sliema	20,000	-	20,000
Ta' Xbiex	3,000	-	3,000
Valletta	50,000	100,000	150,000
Xagħra	3,000	-	3,000
Żabbar	-	10,000	10,000
Żebbuġ (Gozo)	3,000	-	3,000
Żebbuġ (Malta)	-	10,000	10,000
Żejtun	-	10,000	10,000
Totals	**186,000**	**250,000**	**436,000**

Appendix C – Reports that were either qualified with an 'Except For' audit opinion and/or highlighting an 'Emphasis of Matter'

Column 1 indicates the localities wherein LGAs were unable to determine whether the Council was entitled to receive any further income from the Joint Committees, since the audited financial statements of the latter for the financial year 2025 were not available.

Column 2 highlights those Councils where issues of poor internal controls and lack of substantiating documentation were encountered.

Column 3 shows the Councils where the going concern assumption used in the preparation of the financial statements is dependent on further sources of funds, other than the annual financial allocation by Central Government, the collection of debts due to the Councils, and the continued support of their creditors. Any adverse change in either of these assumptions would not enable the respective Council to meet its financial obligations as they fall due, without curtailing its future commitments.

Local and Regional Councils	Column 1 LGAs were unable to determine whether the Council was entitled to receive any further income from the Joint Committee	Column 2 Poor internal controls and/or lack of substantiating documentation	Column 3 'Emphasis of Matter' highlighting a material uncertainty related to Going Concern
Attard		x	x
Birżebbuġa		x	
Bormla		x	
Dingli		x	x
Fgura		x	
Floriana		x	
Gżira		x	
Għaxaq		x	
Kalkara		x	x
Marsa		x	
Marsaxlokk		x	
Mellieħa	x		
Mġarr	x		
Mosta	x	x	
Munxar		x	
Naxxar	x	x	

Appendix C – Reports that were either qualified with an 'Except For' audit opinion and/or highlighting an 'Emphasis of Matter' *cont./*

Local and Regional Councils	Column 1 LGAs were unable to determine whether the Council was entitled to receive any further income from the Joint Committee	Column 2 Poor internal controls and/or lack of substantiating documentation	Column 3 'Emphasis of Matter' highlighting a material uncertainty related to Going Concern
Paola		x	
Pieta`	x	x	
Qormi	x		
Rabat (Gozo)		x	x
Rabat (Malta)		x	
San Pawl il-Baħar	x	x	
Santa Venera		x	
Tarxien		x	
Xagħra		x	
Żabbar		x	
Żebbuġ (Gozo)		x	x
Eastern Regional Council		x	
Gozo Regional Council		x	
Northern Regional Council		x	
Port Regional Council		x	
Southern Regional Council		x	

Appendix D - Lists of Directives, Circulars and Memos referred to in this Report

The following is a list of directives, circulars and memos issued by LGD, which were referred to throughout the Report:

Directives

Directive No. 1/2020	Applowdjar tad-dokumenti statutorji fuq il-Websajt
Directive No. 6/2019	Procurement Plan
Directive No. 3/2017	Local Councils Procurement Guidelines 2017
Directive No. 1/2017	Accounting Treatment ta' Assi Fissi (*Non-Current Assets*)
Directive No. 05A/2016	Irtirar ta' Direttiva 5/2016 u Sostituzzjoni tagħha
Directive No. 01/2016	Migrazzjoni sħiħa għall-Akkwist Elettroniku (Electronic Public Procurement System – ePPS)

Circulars

Circular No. 06/2024	Allokazzjoni Finanzjarja għall-2025
Circular No. 06/2022	Skeda tal-Pagamenti għall-użu tal-Compliance Unit
Circular No. 22/2019	Onorarju u Allowances
Circular No. 38/2016	Fondi Pubbliċi minfuqa għal finanzjament ta' Għaqdiet

Memos

Memo No. 4/2015	Kumitatt tal-Finanzi
Memo No. 8/2011	Emenda għal Memo No. 122/2010 – Ikliet/riċevimenti organizzati mill-Kunsilli Lokali

2025 - 2026 (to date) Reports issued by NAO

NAO Annual Report and Financial Statements

July 2026	National Audit Office Annual Report and Financial Statements 2025

NAO Audit Reports

November 2025	Report by the Auditor General on the Workings of Local Government for the year 2024
December 2025	Report by the Auditor General on the Public Accounts for the year 2024
December 2025	Performance Audit: Home-Based Medical and Clinical Services for the Elderly
December 2025	Performance Audit: A Strategic Evaluation of Malta's Smart Specialisation Strategy for Research and Innovation
February 2026	Follow-up Audit Reports by the National Audit Office Volume II 2025
July 2026	Follow-up Audit Reports by the National Audit Office Volume I 2026
July 2026	Joint Audit: Government Leasing of Private Property - Insights from selected case studies
October 2026	Report by the Auditor General on Government-appointed bodies
November 2026	Performance Audit: Verifying Income Tax Returns
November 2026	Information Technology Audit: Review of the methodology for the compilation and updating of demographic statistics using multi source administrative data