



15 October 2021

Your Reference: MB/mf/110121

Grant Thornton

Reply to Management letter, year ending 2020

The following is the reply to the Management Letter dated 2 September 2021 for the year ending 2020.

1 Previous management letter

1.1 (2.9 and 2.10) It is true that up to 31 August 2011 Rabat Local Council formed part of the Birkirkara Joint Committee. We are very pleased that Grant Thornton 'obtained at last the audited financial statements of Birkirkara Joint Committee' after ten years in a row. The small reserves amount of the committee amounting to €5,229 is certainly ineligible when divided amongst the members. We feel that the Department for Local Government should liquidate this Joint Committee and distributes the amount stated above.

(2.5 and 2.6) We are pleased to note that despite the difference of €5,596.6 mentioned by Grant Thornton as an overstatement with respect to the LES administration fees for 2020 as compared to the Loqus Report 483, auditors did not propose an audit adjustment. In fact auditors declared that Rabat Local Council has duly provided the invoices from the Loqus system and payments tied up with the amounts found in the books of account.

(2.1 and 2.2) With regards to the grant of €200,000 in relation to the Capital Vote XI for the refurbishment works at Rabat Local Council premises the council does not have any objection to the auditor's suggestions of the proposed deferring of income as up to December 2020 the refurbishment works did not start. As such we agree that the income should be correctly recorded according to the International Financial Reporting Standards.

1.2 Rabat Local Council managed to obtain the financial statements of the Majjistral Action Group Foundation (MAGF). This should have been provided by this entity without Rabat Local Council's intervention to exhibit a clean sheet by MAGF.



3.6, 3.7 and 3.8 The insurance policy did not match the total Net Book Value listed in the Council books. An exercise shall be concluded to match all the fixed assets categories. However, it should be pointed out the the total difference between the sum insured and the NBV is only 4%.

Rabat Local Council is pleased to note that the auditors did not encounter any irregularities between the budgeted expense and the actual expense and this reflects very positive on the administration with regards to controls.

1.3 Rabat Local Council is very pleased to note that auditors did not find any irregularities in the personal emoluments with regards to the payroll for year ending 2020.

1.4 (5.6) The undisclosed of information in the FAR of the fixed assets located in Rabat and including Bahrija comes from the fact that during the very first years when Rabat Local Council was established operators did not introduce same. This became very complicated when new depreciation methods were established mainly when the transition from reducing method to linear method of the assets became in force.

(5.3) Rabat Local Council with the assistance of the accountant, are doing their best to eliminate the discrepancies between the net book value in the FAR and the books of account. This is no small feat, but we are determined to at least reduce this dicrepancy. Up to year end 2020 this difference was circa €100,000 and our target is to reduce same by half during 2021.

(5.9 and 5.10) We are fully aware that untagged fixed assets are creating confusion and we are continuously re-labelling these fixed assets. One has to recognise the fact that the intense summer heat and the wear and tear especially when we moved from the old premises at Hospital Street to the new ones at Inguanez Street, handlers had a very difficult task passing especially furniture from restricted areas such as narrow doors. Most of the fixed asset tags had to be re-labelled/re-introduced.

1.5 (6.1) The difference in the receivables, mainly pertaining Wasteserv Malta Ltd with regards to the invoices for May, Sep, Oct, Nov and Dec 2020 was an oversight from our part. We are doing our best to reconcile not only the suppliers but also the customers especially those were trade margins are very high.





1.6 Rabat Local Council is very pleased to note that no irregularities were noted in the cash and the cash equivalents. Cash counts are being made daily to eliminate embezzlement and counting errors.

1.7 We are very pleased to note that no discrepancies were noted by Grant Thornton with regards to the suppliers against the creditors' list.

(8.5) The very old deposit guarantees were retrieved on the 26.6.2021 as per print screen below.

View, search or download transactions

Account number: 1460679501 9 (EUR)  
Currency: EUR  
Actual balance: EUR 33,087.85  
Available balance: EUR 33,087.85  
Account limit: EUR 0.00

Print all

Date	Details	Amount	Actual balance
28/06/2021	CASH DEPOSIT 3803844 RABAT L/C REF: 301CHDP211790186 - 636414022	EUR 285.00	EUR 33,087.85
26/06/2021	OUTWARD GUARANTEE REINSTATING VALUE DATE - 25/06/2021 REF: 013GEVR200017776-634115107	EUR -60.00	EUR 32,802.85
There are no details to display.			
26/06/2021	OUTWARD GUARANTEE REINSTATING VALUE DATE - 25/06/2021 REF: 013GEVR200014420-634113827	EUR -60.00	EUR 32,862.85
There are no details to display.			

Rabat Local Council is pleased to note that auditors did not find out any shortcoming in the accruals.

1.8 (9.1 and 9.2) Rabat Local Council is making a marked effort to present the financial statements in a manner that these be compliant to the IFRSs in respect of the new and amended standards adopted by the local council for the next financial period. We thank the auditors for amending the financial statements 2020 to reflect better the financial situation of the council.

1.9 (11.1 - 11.3) Rabat Local Council is being monitored by the Monitoring Unit within the Local Council Division. The Quarterly Financial Report for January to June was later on uploaded in the Local Council electronic web site together with the



management letter and the reply for the management letter and also the business plan 2019-2021.

- 1.10 Efforts were made by the Rabat Local Council to rectify the chart of accounts issue. This task has been recognized by Grant Thornton in the management letter.
- 1.11 As also stated by Grant Thornton, there was no need for a mid-term audit as such audits are performed when there is a change in the Executive Secretary or reports of fraud.
- 2.3 & 2.4 Auditors are claiming that they came across instances where the council did not deposit its general income on a regular basis and at least twice a week.
- From the 25 September to the 31 December 2020 Rabat Local Council deposited the general income pertaining to Rabat LC and the custodial money 59 times. That makes a circa 4.6 deposit times a week. One has to note that Rabat Local Council deposits the whole exhausted receipt book pertaining to different operators to eliminate confusion. As such the argument brought does not hold.
- 2.7 & 2.8 Rabat Local Council has no objection for the reclassification of the €8,404 from the Government income to the Supplementary Government Income since it was revenue generated from payments of permits issued from Rabat Local Council.
- 3.1-3.3 Rabat Local Council had to engage five contractors on a direct order since the works were very urgent.
- Kurt Gauci had to be called in emergency since the soft area automated irrigation system did not start and plants were on the verge of dying. In fact he saved many mature plants valued at a high price and during the upkeep works, weeds were also removed from soft areas.
  - Jeffrey Scerri's Fiddien Valley concrete works took place immediately after a damages incurred just after a storm in order to open up again the road leading to Mtaħleb.
  - The Stencils bought from B Grima & Sons were the only stencils for the road marking we found on the market. These road marking works are now being done by our handyman and were beneficial for multi Euro savings in Rabat roads upkeep.
  - Carmel Gauci's extra watering of plants services had to be directly contracted during the dry months to save trees in our gardens. Rabat Local Council had no time to obtain quotes to sustain the dry out mature trees that were going to get lost with drought.





- The grass cutting and cleaning at Ghar Dwieb by Joseph Cutajar was concluded since various contractors were taken on site and refused to do the job as the area is a very dangerous one, being on high cliffs. This was a very risky job that was done by Mr Cutajar using tied ropes at the brink of cliffs' edge.

3.4 & 3.5 Cheque no 10454 issued on Advanced Telecommunications System was prepared in advance since our photocopier was out of order and the supplier had to ensure himself of getting paid. We surely cannot do anything without our office tools and this was a one off, despite the fact that this is a contractual service.

The same applies to SR Environmental Solutions Ltd. We have spoken to the supplier about this Ms Sarah Muscat and they refuse to release their products in this case these were litter bins and park benches as they have no time for debt collection. This is the company's policy.

3.9 & 3.10 The €4,800 out of the €29,509 in rent leasing which were not correctly recorded in accordance of the IFRS 16 'Leases' we have no objection for Grant Thornton to correct this despite the fact that they decalred that this 'was not deemed to be material and no adjustments were proposed.'

4.1 & 4.2 We understand the importance of the correct recording of the FSS forms in connection with the wages and salaries towards the Commisioner for Revenue. More care will be taken to eliminate errors such as that of the €2,632 difference of the FS5s compared to the FS7.

5.1 – 5.5 The difference in the classificaitons between the net book value in the financial statements compared to that in the accounting records is still being investigated by Rabat Local Council. Notably the St Rita Street public convenience included in the urban improvement rather than being recorded under property. Indeed the property was always available and we made an urban improvement of the whole site.

Also we concur to the reclassification of the air conditioners which were erroneously recorded under Computer Equipment to be listed under the office equipment.

5.6 – 5.8 Efforts are being made to identify the assets listed in the auditor's management letter mainly the membrane works, gypsum wall, Bieb tal-Bejt, AC unit and the handrail. We recongnise the fact that in the absence of this identification, one cannot determine if such assets are still in existence or have been absolete.



5.11 – 5.15 Rabat Local Council deemed that the amount of €13,531.27 pertaining to the dumping fees in connection with road works to be part of the road construction expense, similarly to the contract management fees which are part and parcel of the whole project. However we have no objection for Grant Thornton's proposal to expense the amount during 2020 and do not incorporate in the capital expenditure with the expense being divided along the years in a linear depreciation method.

It is good to note that article 10 of the agreement states that the European Agricultural Fund for Rural Development 2014-2020 'ownership should be vested to the Government of Malta and not Rabat Local Council'. This does not waive our responsibility in connection with the works incurred in Mtaħleb resurfacing. We are doing our utmost to evaluate works whether these should be capitalized or expensed.

6.3 – 6.5 Grant Thornton casts doubt on the data integrity of the Loqus IT system pertaining the Law Enforcement System, mainly on the tribunal pending payments. Reports 622 and 483 are quoted. This is something which can easily be verified with the bodies contracting Loqus and not Rabat Local Council per se. Rabat Local Council is aware of these arising differences and has been asking for the right data for decades.

6.6 – 6.8 As yet we have not traced the receivable guarantee mentioned by auditors amounting to €1,000.00 We would rather be on the conservative side of the coin and remove the amount. By approving of the management letter reply, the council will be deemed to approve also the amount mentioned as this will be minuted.

6.8 – 6.9 Rabat Local Council has no objection for the Local Council Association LTD Online Payment of €279.79 reclassification to Other Creditors. We shall investigate why this debtor account is in credit.

7.1 – 7.3 The unrecorded amounts of the interest transaction for bank account 40011047261 should have been recorded by Rabat Local Council and was duly integrated in the audited financial statements.

8.1 – 8.2 Rabat Local Council's back office staff always request supplier statements on a month to month basis. However, most of the suppliers fail to send these and thus making our lives more complicated. It is deemed that they are at fault as they are careless about their finances. Discrepancies, in the suppliers' ledger, thus may arise and one has to reconcile them.





- 8.3 – 8.4 Rabat Local Council has no difficulty in considering the ARMS amount of €203.31, INDESIGN of €272.80 and Go Plc amount of €97.21 to be reclassified not to depict a debit balance in the creditors's list. We are investigating why this creditors account is in debit.
- 8.5 – 8.6 The €8,379 of Rabat Local Council's contractors deposit guarantees have been deposited for ages and no-one is bothering us to pay them back. In our opinion, similarly to 6.6 – 6.8 not traced receivable guarantee mentioned by auditors amounting to €1,000.00, these should be poured into the profit and loss account.
- 10.1 We do not concur to the conclusions taken by the auditors' with regards to the omitted cheques from the schedule of payments. The schedule of payments is for the approval of these amounts and all cheques quoted were cancelled on purpose from the schedule of payments as they amount to zero, since these were cancelled. Moreover, cancelled cheques were retained as evidence. This problem has now been sorted since Rabat Local Council is now paying on-line from Rabat Local Council's account to our supplier's account.
- 11.4 – 11.5 With regards to the uploading of management letter and other documents to our website, we are doing our utmost to adhere to circular 21/2019. Also, we have not breached any General Data Protection Regulations as indicated in SPI17/2018 and Circular 7/2019. Kindly note that with the engagement of the Data Protection Officer, we are being continuously assisted through seminars for the staff to be as precise as possible in this regards.

We understand that the audit procedure is a yearly exercise which improves internal controls and is evident that this experience is valued from our side and recommendations were taken. Finally we thank Grant Thornton for conducting such an exercise with the least disruption by introducing an electronic platform on which we have uploaded all documents requested.

Thanks and regards

Sandro Craus  
Mayor

Anthony Bonello  
Executive Secretary