

# Management Letter and Reply by Rabat Local Council

**The Members**  
**Rabat Local Council**  
34, Triq Inguanez  
Rabat  
Malta

20 July 2023

Dear Members of the Rabat Local Council,

We have completed our audit of the financial statements of Rabat Local Council for the year ended 31 December 2022. Our audit is primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation.

Our aim is to offer guidance to the Council such that it would be in a better position to improve its internal controls, enhance its book-keeping function and consolidate its overall governance. We would like to point out that, in accordance with the Local Councils Act (CAP 63) 1993 and the Local Council (Financial Regulation) 1993, it is the responsibility of the Executive Secretary of the Local Council to ensure that a proper system of internal control is in operation to ensure that the proper accounting, recording and handling of financial operations are in place to safeguard the Local Council's assets at all times. For this reason, this document is of particular relevance to the Local Council's Executive Secretary.

The matters dealt with in this report, came to our notice during the conduct of our audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the Council. In consequence our work did not encompass a detailed review of all aspects of the systems of control but that of obtaining an understanding of the controls which are in place, on the basis of which, we design our audit procedures. For this reason, this report cannot be relied upon to necessarily disclose other defalcations or other irregularities which may exist, had a specific and more extensive assignment for this specific purpose been commissioned.

Our engagement obliges us to distribute copies of this report to the Council Members. Consequently, this report, in part or in full, may not be distributed, used or quoted except for the scope it is prepared, without our prior written consent, unless such disclosure is required by Law.

During the course of our audit for the year ended 31 December 2022, we examined the principal documents, systems and controls applied by the Council, to help it ensure, in so far as it is possible, far as possible, the accuracy and completeness of the accounting and to safeguard the assets of the Council.

In order to facilitate your responses to the deficiencies we noted in the course of our audit, have been presented these shortcomings in columnar form. On the left hand side of the document we specify the weaknesses and the recommended courses of action. On the left hand side you are required to insert the remedial action you intend to take and a time frame by which these will be remedied. We also attach for your perusal, a summary of the audit adjustments which we were put through the accounting records, once these were approved by yourselves. Should you require our assistance in bringing to fruition the suggested recommendations do not hesitate to contact us.

We would like to thank you for the courtesy and co-operation extended to us in the course of our audit.

Yours faithfully,

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**Arthur Douglas Turner**  
**Partner - Parker Russell Turner**



## **PREVIOUS MANAGEMENT LETTER**

During the course of our audit for the year ended 31 December 2022, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

### **i. Income**

We have once again noted shortcoming in general income and income from LES administration fee as per note 8 on page 22.

We have also raised the matter once again with the Council regarding the amounts held by the Birkirkara Joint Committee, of which the Rabat Local Council formed part of, which amounting to € 5,229.

### **ii. Expenditure**

We have once again noted shortcomings in the accounting of the rental expenditure as per note 9 on page 24.

### **iii. Fixed Assets**

We have once again noted shortcoming in the classifications and in the fixed asset register as per note 1 on page 3.

### **iv. Trade and other receivables**

We have once again noted several shortcomings in confirming the trade receivables, as well as the pre-regional LES debtors as per note 4 on page 13.

We have also once again highlighted the shortcomings found in verifying the guarantees as per note 3 on page 12.

### **v. Trade and other payables**

We are pleased to note that we did not encounter any negative balances in the creditors' list. We have however, once again encountered various shortcoming in obtaining suppliers' statement at year end and highlighted the long outstanding other creditors as per note 6 on page 17.

We have also once against noted various inaccuracies in the accounting of closing accruals as per note 7 on page 21.

### **vi. Financial statements presentation**

We have once again noted minor shortcomings in the presentation of the unaudited financial statements, as per note 14 on page 35.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

A summary of the deficiencies noted in the course of our audit and our recommendations thereto is as follows:

1. *PROPERTY, PLANT AND EQUIPMENT*
2. *INVENTORY*
3. *CASH IN HAND AND AT BANK*
4. *DEBTORS*
5. *ACCRUED INCOME*
6. *CREDITORS*
7. *ACCRUALS AND PREPAYMENTS*
8. *REVENUE*
9. *DEBIT TRANSACTIONS*
10. *PAYROLL AND HUMAN RESOURCES*
11. *INFORMATION PROVIDED ON THE PORTAL*
12. *ACCOUNTING SYSTEM*
13. *PRIOR YEAR ADJUSTMENTS*
14. *PRESENTATION OF FINANCIAL STATEMENTS*
15. *CONCLUSIONS*



## FINDINGS ARISING FROM 2022 AUDIT

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	LOCAL COUNCIL REPLIES
<p><b>1. PROPERTY, PLANT AND EQUIPMENT</b></p> <p><b>1.1. Fixed Asset Register</b></p> <p><i>Weakness</i></p> <p>1.1.1. Despite the fact that the Council has taken the necessary measures to compile a fixed asset register, it is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset. Further, the manual system is not integrated with the Fixed Asset Module and to the General Ledger of the accounting software. This leads to differences between the total net book value of the fixed asset register with that of the accounting system by € 397,059.</p> <p>1.1.2. Moreover, it was noted that the fixed asset register was not being fully updated with all of the Council's additions for the year.</p>	<p>The present administration together with the Executive Secretary and staff are investing time from their routine errands to compile the fixed asset register. With regards to the proper labelling of the street furniture as part of the physical assets, this proved a very difficult task, as labels fall down in adverse weather conditions such as wind rain and excessive summer heat. The difference of nearly €400,000 in the Netbook Value of the Fixed Asset is being investigated since the Fixed Asset Module is not operating to our desires. However, we strongly object to the qualification of audit opinion as this task needs substantial work to be updated from Rabat Local Council with the assistance of our accountant.</p>
<p><i>Recommendation</i></p> <p>1.1.3. We strongly believe that the implementation of the fixed asset register should be kept on an appropriate software and should be synchronised</p>	<p>All our efforts are being invested to implement the Fixed Asset Register in the appropriate software.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022





<p>with in the accounting system. We recommend that the fixed asset register implementation process is discussed in detail with the IT service provider and the accountant in charge, in order to adapt the necessary software for the needs of the Council and incorporate the integration of the plant register within the general ledger.</p>	
<p><b>1.2. Capitalisation of expenditure</b></p> <p><i>Weakness</i></p> <p>1.2.1. During our audit procedures, we noted that there were capital expenses relating to plant and machinery amounting to € 1,200; works for the St. Rita Project amounting to € 15,314; urban improvements amounting to € 31,687, and development permit fees for future projects amounting to € 5,314 which were incorrectly accounted for within administrative expenses. These were capitalised at audit level. Furthermore, in view of this the depreciation charge was understated by € 1,601, which was also adjusted for at audit level.</p> <p>1.2.2. Moreover, whilst carrying out audit procedures, we noted that an invoice issued by IO Projects relating to works carried out for the St. Rita Project amounting to € 9,354 was omitted from the accounting system. This was passed at audit level against the creditors control account.</p>	<p>Rabat Local Council does not object for the reclassification of the plant and machinery amounting the €1,200, the embellishing project works for Triq Santa Rita amounting to €15,314, the Urban Improvements of €31,687 and the Development permit fees in connection with the Planning development permits of €5,314. After all, this is the expense related to future projects of capital nature. The depreciation charge was erroneously understated and we agree with the adjustment suggested. To our dismay, the invoice of €9,354 by IO Projects was received late and backdated and therefore, not entered in SAGE.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022





<p><i>Recommendation</i></p> <p>1.2.3. We recommend that more attention is affected in the updating of accounting records to segregate properly between revenue expenditure and capital expenditure. Further, we recommend that the classification of the assets being purchased is identified in terms of the following categories:</p> <p>(a) Assets purchased in terms of IAS 16 Property, Plant and Equipment;</p> <p>(b) Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and</p> <p>(c) Assets under development and not yet brought to use.</p>	<p>Sometimes the expenses related to revenue Expenditure and capital expenditure is very hard to determine as the terminology of for example 'development permit fee', might be on an existing project but for re-embellishment purposes. This is related to (c) "Assets under development and not yet brought to use".</p>								
<p><b>1.3. Fixed Assets Additions</b></p> <p><i>Weakness</i></p> <p>1.3.1. During our audit fieldwork on the fixed assets additions, some irregularities were noted whereby the Local Council did not obtain any quotations for the following acquisitions:</p> <table border="1" data-bbox="1107 902 1342 1921"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Remove Old Benches - Supply &amp; Install New Benches</td> <td>Mica Med Ltd</td> <td>07/04/2022</td> <td>4,029</td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Remove Old Benches - Supply & Install New Benches	Mica Med Ltd	07/04/2022	4,029	<p>The supplier MICA MED Ltd was chosen for the supplies of benches on the 3/3/22, 7/4/22, 3/11/22, 23/12/22 since he is the provider of street lighting luminaries manufactured from the same product material of the park benches. Besides, Rabat Local Council received other quotations from different suppliers and these were ignored as it transpired that were of an inferior kind.</p> <p>The two alto reliefs at Bañrija were also manufactured by an artist Jennings Faizon, who had another matching reliefs in place at</p>
Detail	Supplier	Date	Amount						
Remove Old Benches - Supply & Install New Benches	Mica Med Ltd	07/04/2022	4,029						

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



CCTV cameras- Bir I-Iljun: Public Garden	HISEC	09/11/2022	5,148	<p>Bahrija. The same artist was involved in an educational exhibition activity showing children how to cast artistic exhibits to encourage students to take art as a pass-time and develop skills, free of any obligation. The CCTV at Gnien Bir Iljun was done by HISEC since quotes by other suppliers in Rabat were not user friendly to retrieve footages on time to be analysed by Police. With regards to the welding on U Bars and culverts, Rabat Local Council did not find a substitute to intervene during car accidents on submersed culverts grids and U Bars in such a short time.</p> <p>Christian Schembri's response time proved the best in accidental circumstances. The re-construction of a rubble wall that collapsed onto the road had to be erected in a timely manner by the unique and skilled craftsman Richard Muscat in order to re-open the road again and to re-provide access for farmers who were stranded. The crazy paving material had to be purchased to match the rest of the garden existing paving. The laying works were done by the Public Works Dept for free. Other suppliers did not offer free laying of paving.</p>
Manufacturing two alto reliefs structures for St. Martins Chuch Bahrija	Jennings Falzone	02/02/2022	5,000	
Remove old benches & Supply and install new ones	Mica Med Limited	03/11/2022	5,371	
Remove old benches & Supply and install new ones: 1st payment	Mica Med Limited	23/12/2022	6,714	
40 U Bar & welding culverts at Triq Vjal il-Haddiem, Triq il-Kbira & Pkjazza San Duminku	Christian Schembri	30/12/2022	2,832	
Remove old benches, Supply and Install new benches clematis	Mica Med Limited	03/03/2022	2,686	
<p>1.3.2. Similarly, the following irregularity was noted whereby the Council only obtained one quotation, as follows:</p>				
<b>Detail</b>	<b>Supplier</b>	<b>Date</b>	<b>Amount</b>	
Construction and restoration of rubble walls	Richard Muscat	17/08/2022	5,871	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

<p>Crazy paving Hardstone Bir l-Iljun Works &amp; Hardstone Slabs and Kerbs</p> <p>1X Garden Vacuum</p>	<p>J&amp;J Gauci Granite Ltd</p> <p>PTR Machinery</p>	<p>18/07/2022</p> <p>18/02/2022</p>	<p>6,689</p> <p>1,200</p>	<p>The garden vacuum purchased from PTR Machinery was the strongest found in market after a heavy storm blocked important underground water catchments, and the material was sucked out 'on time' to avoid damaging the hard surfaces and incurring a capital expense with an additional unforeseen infrastructural project in storm Helios that hit Malta.</p>
<p><i>Recommendation</i></p> <p>1.3.3. In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government, the Council should obtain at least three signed quotations for purchases exceeding € 50 up to € 5,000 unless, for purchases exceeding € 50 but not € 500, a direct order approved by the Executive Secretary is issued. Furthermore, for any purchases exceeding € 5,000 but not exceeding € 10,000, a quotation through the EPPS should be issued.</p>				<p>All our efforts are being made to seek suppliers' quotations to abide by the financial regulations.</p>
<p><b>1.4. Capital Grants</b></p> <p><i>Weakness</i></p> <p>1.4.1. During the year 2021, the Council was approved a grant from Ambient Malta amounting to € 90,579 in relation to the St. Rita Project, for which costs were incurred partly in 2021 and partly in 2022. Nonetheless, no proportion of the</p>				<p>The grant from Ambient Malta was erroneously not accounted for in 2021. As such Rabat</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>grant was accounted for in the previous year. Consequently, a prior year adjustment was effected to account for the full grant against the corresponding deferred grant for future years. In addition, part of these funds were adjusted for against the capital expenditure incurred in 2021 amounting to € 34,919 and against capital expenditure incurred in 2022 amounting to € 44,022, an adjustment was passed to account for deferred income for the remaining grant balance amounting to € 11,638 as per note 5.</p> <p>1.4.2. Similarly, during 2022, the Council was approved a grant from Majjistral Action Group for the restoration of St. Margaret Cemetery amounting to € 21,794 for which costs were incurred in 2021. Consequently, a prior year adjustment was passed to account for the total capital cost of € 20,252 against these capital grant, and to reverse the depreciation charges passed in 2021 for the same amount, since this was substituted by the capital grant receivable. Moreover, deferred income amounting to € 1,543 representing the remaining grant balance was also passed as per note 5.</p> <p>1.4.3. During 2020, the Council received a grant from the Ministry for Justice, Culture &amp; Local Government for the refurbishment works at the Rabat Local Council amounting to € 200,000 for which costs were incurred during 2020, 2021 and 2022. Consequently, a prior year adjustment was effected to account for these funds against the capital expenditure incurred in 2020 amounting to € 13,985; and those incurred in 2021 amounting to € 14,063. Moreover, in view that during the year, capital expenditure for the project amounted to € 146,059, the remaining balance is being disclosed as deferred income.</p>	<p>Local Council does not have any objection for Parker Russel Turner to pass the adjustments and account for deferred income as being suggested..</p> <p>Rabat Local Council does not have any objection for the prior year adjustment and to reverse the depreciation charges of 2021. This was a restoration project involving EU Funds which was concluded to our satisfaction onto the façade of the Sta. Margerita Cemetery.</p> <p>The grant of €200K was obtained to make up for the expenses in connection with the refurbishment of 8, Hospital Street, Rabat. Rabat Local Council agrees that a remaining balance from 2020 should be shown as deferred income, since works measured by architect did not exceed the €200k as at 31 st December 2022.</p> <p>Measure 4.3 relates to the resurfacing of Ta' Koronja Road and Imtaħleb Road. Arpa as yet has not cleared the clarifications drawn up by Rabat Local Council's architect. However, they are alleging that there were irregularities which we are not proving them right. These pertain road work variations that had to be implemented on site by Bonni Bros Ltd.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>1.4.4. Similarly, during 2020, the Council was approved a grant from Ministry for the National Heritage, the Arts &amp; Local Government for the Measure 4.3: Improving the Infrastructure of Rabat amounting to € 100,000 for which costs were incurred in prior years. Consequently, a prior year adjustment was passed to account for these funds against the opening capital costs. An adjustment was also passed to account for the remaining grant balance amounting to € 50,000 as per note 5.</p>	
<p><i>Recommendation</i></p> <p>1.4.5. Proper classification of Grants is crucial in line with the capital costs incurred as per the requirements of IAS 20, in order to ensure that the Matching Concept is being adhered to. Wrong classifications can lead to inaccurate depreciation costs and incorrect cut-offs.</p>	<p>Rabat Local Council is addressing the issue of the proper classification of grants during regular meetings held with professional bodies such as our accountant.</p>
<p><b>1.5. Classification of transactions</b></p> <p><i>Weakness</i></p> <p>1.5.1. During our audit procedures, we noted that the Council does not keep proper segregation of the assets being purchased and distinction made between Assets under Construction and Assets which are ready for use. Amounts of € 1,072,546 and € 38,356 were reclassified from Assets Under Construction to Urban improvements and Special Programmes respectively.</p> <p>1.5.2. Moreover, it was noted that Grants were included under the Cost instead of under the Grants section within the Property, Plant and Equipment note. We</p>	<p>Rabat Local Council has a very clear distinction between Assets under construction and Assets which are ready for use. Indeed we answered every question raised by by Parker Russel Turner and when we were in doubt our accountant and architect were summoned to provide an explanation.</p> <p>Rabat Local Council has no difficulty in the reclassification of the €939,309 to Grant Urban Improvement. Nor we had any difficulty to</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>have reclassified amounts of €939,309 from Assets Under Construction cost to Grant Urban Improvement.</p> <p>1.5.3. Consequently, a prior year adjustment was passed to account for the depreciation on Urban improvements and Special Programmes of € 13,324 and € 320 respectively.</p>	<p>press the amounts to the depreciation on Urban Improvement and the Special Programmes.</p>
<p><i>Recommendation</i></p> <p>1.5.4. We recommend that proper classification has to be made between the assets which have been financed through internally generated funds from those which were funded through Grants and Funds. Lack of distinction of assets funded from Grants, has made it very difficult for auditors, in their verification of Deferred grants and corresponding depreciation schedules, particularly those pertaining to previous years.</p> <p>1.5.5. It is important that apart from the above, a reassessment is carried out of all the assets held by the Council to ensure the condition and state of the assets held. Impairment tests should be carried out ongoingly and a report should be prepared regularly to assess the state of the assets.</p>	<p>Since this is the very first year for Parker Russel Turne taking over Rabat Local Council's audit, it is normal to find difficulty to verify deferred grants and corresponding depreciation schedules. From our end we conduct regular on-site visits especially where assets wear out easily such as road surfaces and storm water channels to avoid mishaps and avoid accidents on third properties who might keep us liable of accidents including vehicular incidents.</p>
<p><b>2. INVENTORY</b></p> <p><i>Weakness</i></p> <p><b>2.1.</b> We could not attend the physical stock take as at 31 December 2022 since we were appointed as auditors after year end. Moreover, while testing the</p>	<p>Basically, Rabat Local Council has a stock of books which we keep to offer to important VIP for free. Normally, in turn, we get back same worth of</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

<p>stock valuation, it was noted that stock was understated by € 1,988. An adjustment was passed to rectify the matter.</p>	<p>in kind donations in books etc.</p>
<p><i>Recommendation</i></p> <p><b>2.2.</b> We recommend that the Council ensures that stock lists are updated regularly and that all stock items are valued at their costing price to ensure that values are correct and accurate at all times.</p>	<p>Rabat Local Council is now continuing to update the Stock lists in an appropriate manner.</p>
<p><b>3. CASH IN HAND AND AT BANK</b></p> <p><b>3.1. Treasury Management</b></p> <p><i>Weakness</i></p> <p><b>3.1.1.</b> We have noted that while the Council has bank balances of € 1,352,688 as disclosed under note 14 in the financial statements, these are not being segregated between operational and capital bank accounts depending on their purpose.</p> <p><b>3.1.2.</b> Moreover, there is not a specific bank account which represents the balances received on behalf of LESA, Housing Authority, or the Lands Department which should be refunded back.</p>	<p>One of the most important things is that Rabat is managing in a good manner to account for the custodial money belonging to LESA, Housing Authority and Land Authority. As at to date, there is not a single dispute on the amounts paid by customers to Rabat Local Council and eventually deposited into the respective accounts.</p>
<p><i>Recommendation</i></p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>3.1.3. We recommend that better treasury management procedures should be implemented by the Council to disclose the bank accounts depending on their nature, whilst also making optimum use of public funds, in line with the Budget Management of the Council.</p> <p>3.1.4. We also recommend that as per the Directive 5/2020, the Council should open a bank account with the name 'LC Other Entities Account' so that the Council can deposit funds and subsequently transfer funds to the appropriate entity. It is important to bear in mind that these funds are not funds of the Local Council.</p>	<p>We note that Parker Russell Turner quoting Directive 5/2020.</p>
<p><b>3.2. Bank guarantees</b></p> <p><i>Weakness</i></p> <p>3.2.1. While testing other debtors, it was noted that the Council has a bank guarantee with the Charmain Planning Authority for the St. Paul's Square. However, while performing our testing to the BOV bank letter, it was noted that the guarantee in the accounts varies by an additional € 500 than the amount listed in the BOV bank letter.</p>	<p>These works in St. Paul's Square were completed prior 2018. Executive Secretaries, Mayors, accountants and architects were All changed. As at 2022 we did not manage to reconcile the €500. However, we are doing our best to close this subject and reconcile the bank le</p>
<p><i>Recommendation</i></p> <p>3.2.2. We recommend that the Council investigates the matter with the Bank of Valletta to ensure that the bank guarantees disclosed in the accounts are in agreements with the amounts actually contracted for.</p>	<p>We are doing all our efforts to agree with contracted amounts.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

<p><b>4. DEBTORS</b></p> <p><b>4.1. Long Outstanding Debtors</b></p> <p><i>Weakness</i></p> <p>4.1.1. During our audit testing, we noted that the Council's debtor list includes the following balances which have been outstanding for more than one year:</p> <table border="1" data-bbox="654 896 909 1904"> <thead> <tr> <th>Debtor</th> <th>€</th> </tr> </thead> <tbody> <tr> <td>Social Security Department</td> <td>3,767</td> </tr> <tr> <td>Water Services Corporation</td> <td>471</td> </tr> <tr> <td></td> <td><b>4,238</b></td> </tr> </tbody> </table> <p>Moreover, it was noted the debtor balance of Social Security Department continued to increase during the year to the amounts of € 24,906 in view of there being no payments received during the year.</p>	Debtor	€	Social Security Department	3,767	Water Services Corporation	471		<b>4,238</b>	<p>A clerk is seconded with Rabat Local Council and she is being paid by the Department of Social Security. However, the Social Security Department due by 2022 amounted to €24,906.</p> <p>Rabat Local Council is continuously asking for the salary refund to reinstate these dues and everything will be sorted out.</p>
Debtor	€								
Social Security Department	3,767								
Water Services Corporation	471								
	<b>4,238</b>								
<p><i>Recommendation</i></p> <p>4.1.2. We recommend that the Council regularly reviews overdue amounts for recoverability. If their recoverability is doubtful, the Council should consider</p>	<p>Rabat Local Council not only is reviewing the overdue amounts, but is very much concerned</p>								

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>making a provision for all amounts in accordance with IFRS 9, after having obtained the approval in a Council's meeting. Furthermore, the Council should send continuous reminders / statements to its debtors to ensure that the Council still has the right to collect the amounts due.</p>	<p>that the same clerk is going to be on its payroll as from 2024.</p>
<p><b>4.2. Confirmation of trade receivables</b></p> <p><i>Weakness</i></p> <p>4.2.1. We have obtained a statement from Wasteserv Malta Ltd showing a balance of € 32,141 due to the Council. However, the Council's books of account indicate a balance of € 37,301. Difference is coming from the balances included in the previous year.</p>	<p>Rabat Local Council is reconciling the variance of €5,160.</p>
<p><i>Recommendation</i></p> <p>4.2.2. We recommend that, as with all debtors, regular reconciliation of amounts due are prepared to promptly highlight any differences.</p>	<p>Regular supplier reconciliations are being carried out by the accountant with the assistance of Rabat Local Council employees.</p>
<p><b>4.3. LES Debtor</b></p> <p><i>Weakness</i></p> <p>4.3.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 187,734 which is fully provided for in the accounts, and which was reconciled during the year according to the LES Report 622 generated from the Loqus system, through an adjustment</p>	<p>Rabat Local Council is pleased to note that Parker Russel Turner have confirmed that the LES Pre-Regional tickets were confirmed, during reconciliation. The adjustment was confirmed by the system generated by</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>LOQUS.</p>	<p>effected by the Local Council. This adjustment should have been confirmed by the Council during the monthly Council Meetings. In addition, we could not obtain clear understanding of the movements effected during the year.</p>
<p>Regular reconciliations are being conducted. The LES system cannot be managed by Rabat Local Council. Authorised personnel from LESA together with its contractor LOQUS may give better replies to this audit query.</p>	<p><i>Recommendation</i></p> <p>4.3.2. We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences with the LES system. In addition, an exercise needs to be carried out on the LES Pre-Regional contraventions to understand whether such amounts are recoverable or otherwise. If these amounts are irrecoverable, we propose that the Council should consider reversing the provision and accounting for the amounts as 'bad debts write-offs'. A disclosure note is also required to bring this matter to the attention of the Council, and every effort should be made to get the necessary directions from the Department of Local Government.</p>
<p>With regards to Greening Urban Areas financial assistance from Ambient Malta, the project was not yet concluded by Rabat Local Council by year end. The project related to Measure 4.3, was concluded but the payments were not sorted out by the end of year. Rabat</p>	<p><b>4.4. Other debtors</b></p> <p><i>Weakness</i></p> <p>4.4.1. During our audit fieldwork, we noted that the Council failed to record other debtors pertaining to the following:</p> <ul style="list-style-type: none"> <li>Financial assistance for the Greening Urban Areas Initiative received from Ambient Malta amounting to € 45,290. Corresponding entry was passed against capital grant as per note 2;</li> </ul>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<ul style="list-style-type: none"> <li>Financial assistance for the Measure 4.3 received from Ministry for the National Heritage, the Arts &amp; Local Government amounting to € 50,000. Corresponding entry was passed against capital grant as per note 2;</li> <li>Financial assistance for the St. Margaret Cemetery received from Majjistral Action Group amounting to € 10,897. Corresponding entry was passed against capital grant as per note 2;</li> </ul> <p>An adjustment was affected at audit level to account for the above transactions.</p>	<p>Local Council approved of the proposed adjustment to Capital Grant. This project was also concluded to our satisfaction through EU funding, through the Majjistral Action Group Foundation. However, the refund has not yet Been received by year ended 2022.</p>
<p><i>Recommendation</i></p> <p>4.4.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether they were received or not, should be accounted for in order to ensure completeness of income.</p>	<p>Rabat Local Council's books are recognised on an accrual basis. If not, we would have not provided Auditor's with accruals, prepayments, deferred income, etc.</p>
<p><b>5. ACCRUED INCOME</b></p> <p><i>Weakness</i></p> <p>5.1. During our audit fieldwork, we noted that the Council failed to record accrued and deferred income pertaining to the following:</p> <ul style="list-style-type: none"> <li>Financial assistance for the Christmas decorations received from the Regjun Punent amounting to € 2,000;</li> </ul>	<p>Rabat Local Council was promised a financial assistance from Regjun Punent and another for the distribution of flyers showing the collection of waste as per new schedule as from 2/1/2023.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<ul style="list-style-type: none"> <li>Financial assistance for the Distribution of flyers received from the Regjun Punent amounting to € 642;</li> <li>Financial assistance for the Greening Urban Areas Initiative received from Ambjent Malta amounting to € 11,638 for future capital costs. Corresponding entry was passed against capital grant as per note 2;</li> <li>Financial assistance for the St. Margaret Cemetery received from Majjistral Action Group amounting to € 1,543 for future capital costs. Corresponding entry was passed against capital grant as per note 2;</li> </ul> <p>An adjustment was affected at audit level to account for the above transactions.</p>	<p>Rabat Local Council does not have any objection for the adjustment passed for the Green Urban Areas Initiative and the St. Margaret Cemetery assistance for the restoration of the façade of the cemetery, after successfully qualifying from EU funding.</p>	
<p><i>Recommendation</i></p> <p><b>5.2.</b> We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether they were received or not, should be accounted for in order to ensure completeness of income.</p>	<p>As already mentioned, Rabat Local Council is keeping its accounts on an accrual basis. As such, an estimate of prepayments, accruals, accrued income and expenses are being prepared and updated every month.</p>	
<p><b>6. CREDITORS</b></p> <p><b>6.1. Long outstanding creditors</b></p> <p><i>Weakness</i></p>		

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



6.1.1. During our audit testing, we noted that the Council's creditor list includes the following balances which have been outstanding for more than one year:

Creditor	€
Agius Stone Works	28,230
ARMS - Public Convenience	294
Bonnici Brothers Limited	226,181
Clint Zammit	90
Carmelo Gauci	28,704
Koperattiva tat-Tabelli u Sinjali	1,540
Kumitat Festi Estemi Corps Domini	300
MED Design Associates	5,554
Mica Med Limited	47,042
Synthesis Management Services Limited	6,067
Terracore Co Ltd	590
WM Environmental Limited	7,434
	<b>352,026</b>

The Council's creditors list is an indication of bills by respective suppliers. It does not reflect the lack of funds by Rabat Local Council. A number of payments indicated by our auditors had to be certified by an architect since it involves Construction, such as: Agius Stone Works, Bonnici Brothers, Terracore Co.Ltd.

Other need to be certified by contracts contracts manager: Mica Med Ltd, Carmelo Gauci, WM Environmental.

Last but not least, Rabat Local Council is at Law's Courts with Synthesis Management Ltd as we a in dispute and funds were deposited at Law Courts.

#### Recommendation

Rabat Local Council is regularly reviewing creditors balances and settles accordingly.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

<p>6.1.2. We recommend that the Council regularly reviews its creditors balances for settlement. Furthermore, decisions and discussions regarding these balances should be included in the Councils' meeting minutes.</p>	
<p><b>6.2. Suppliers' statements</b></p> <p><i>Weakness</i></p> <p>6.2.1. During the course of our audit we noted that the Council did not obtain statements as at or near year end from all suppliers to confirm the year end balances and to ensure the completeness of the books of account.</p>	<p>At year-end council staff always asks on the phone the accounts section of every supplier to furnish the office with a statement and produce pending bills.</p>
<p><i>Recommendation</i></p> <p>6.2.2. We recommend that the Council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the Council's books. This will highlight any discrepancies between amounts recorded in the books and amounts in suppliers' statement. Moreover, this will allow the Council to abide by the circulars issued by the Department for Local Government on this matter.</p>	<p>Rabat Local Council is enquiring for monthly statements to facilitate book keeping and identifies any discrepancies on time.</p>
<p><b>6.3. Creditor confirmations</b></p>	<p>Last year (2021) this creditor was reconciled. In fact</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p><i>Weakness</i></p> <p>6.3.1. We have obtained a statement from Agius Stone Works showing a balance of € 19,711 due by the Council. However, the Council's books of account indicate a balance of € 28,230. This difference is coming from the balances included in the previous year.</p>	<p>there was an adjustment No. 31 dated 31/12/22. Assets are not yet Capitalised Restoration of Niche N/C 7402, Ref AA31 credit; against Urban Improvement Niche N/C 7847 on Debit. Agius Stone Works were engaged to restore the St. Paul's Niche at Saqqajja Square.</p>
<p><i>Recommendation</i></p> <p>6.3.2. We recommend that the Council reconciles creditors' balances on a regular basis to ensure that any differences are promptly identified and investigated.</p>	<p>Rabat Local Council is reconciling creditors' balances on a regular basis.</p>
<p><b>6.4. Other Creditors</b></p> <p><i>Weakness</i></p> <p>6.4.1. During our audit testing, we noted that other creditors pertaining to old refundable contractors' deposits amounting to € 8,379 and pertaining to deposits from 2007, were still outstanding from the previous year with no movement being recorded for the year.</p>	<p>Since sixteen years have elapsed from the creditors pertaining refundable contractor's deposits as from 2007, Rabat Local Council shall be investigating the €8,379 outstanding balance. However, as yet, not a single contractor is claiming these dues.</p>
<p><i>Recommendation</i></p> <p>6.4.2. We recommend that the Council reviews these amounts and settles them as soon as possible. Furthermore, decisions and discussions regarding these balances should be included in the Councils' meeting minutes.</p>	<p>When a decision is taken during Local Council meetings, we will guide our accountant accordingly.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



	<p><b>7. ACCRUALS AND PREPAYMENTS</b></p> <p><i>Weakness</i></p> <p><b>7.1.</b> We have noted the following weaknesses in accounting for accruals and prepayments:</p> <ul style="list-style-type: none"> <li>• Water and electricity accruals were understated by € 276. An adjustment was affected at audit level;</li> <li>• Fuel accruals were understated by € 120. An adjustment was affected at audit level;</li> <li>• Street lighting accruals were understated by € 400. An adjustment was affected at audit level;</li> <li>• Performance bonus accruals were overstated by € 338. An adjustment was affected at audit level;</li> </ul> <p>The accrual accounting system claimed an understated €276, €120, €400, €22,280 and €1,007 in Water and Electricity, fuel, street lighting, Vat in connection with refurbishment at Municipality building and rent, respectively.</p> <p>There was an overstatement of €338 with regards to performance bonus accrual. Some figures are immaterial, however the contractor Cieffe Ltd sent a bill generated from the tender which was issued without VAT and mistakenly it was keyed in understating the €22,280 Which was the VAT element. The €1,007 in rent was a mistake from our part.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022





<ul style="list-style-type: none"> <li>Capital costs for the refurbishment of the Rabat Local Council were understated by € 22,280 in relation to VAT payable to Cieffe Projects Furnishings Limitede. An adjustment was affected at audit level;</li> <li>Rental prepayments were understated by € 1,007. An adjustment was affected at audit level.</li> </ul>	
<p><i>Recommendation</i></p> <p><b>7.2.</b> We recommend that a procedure is in place to ensure that invoices relating to goods or services hovering around the year end, are properly verified to ensure that these are accounted for in the correct period. Failing to do so could result in the understatement of assets and liabilities at the year end.</p>	<p>Cieffe Ltd should have sent a proper VAT invoice and not one generated from the tender BOQ. However, we are being very cautious on bills provided by the contractors to ensure these are certified and in accordance to the construction nor</p>
<p><b>8. REVENUE</b></p> <p><b>8.1. General income</b></p> <p><i>Weakness</i></p> <p>8.1.1. During our audit fieldwork, while performing a proof-in-total test between the total receipts issued from the Council's online permit system and the total</p>	<p>Rabat Local Council is investigating the €3,160 difference between the receipts issued from the online permit system and income received by the council for which a receipt has</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>income recorded in the accounting system, an overall difference of € 3,160 arose, representing income which was received by the Council but for which a receipt has not been issued from the online system.</p> <p>8.1.2. Moreover, whilst testing the income, it was noted that no invoice or receipt was issued by the Council for the donation received from Malta Production Hub Limited of € 500.</p>	<p>not yet been issued. The receipt to Malta Production Hub was for a donation made towards local council in connection with a film shooting in Rabat as it really was an inconvenience to residents and commercial outlets..</p>
<p><i>Recommendation</i></p> <p>8.1.3. We recommend that a receipt is issued from the Council's permits online system for each specific income, and that the Council regularly reconciles the receipts issued from the system with the income recorded in the accounting system to ensure accuracy and completeness.</p>	<p>Staff is trying its best to regularly reconcile receipts issued from the permit online system, with the income recorded in SAGE accounting system.</p>
<p><b>8.2. LES Administration Fee</b></p> <p><i>Weakness</i></p> <p>8.2.1. Whilst performing a proof-in-total test between the total LES administrative fee as per the LES Report 483 – LESA Tickets generated from the Loqus system, and the total income recorded in the financial statements, it was noted that the amount in the financial statements was understated by € 47.</p>	<p>The amount of €47 difference is immaterial and we agree that auditors did not make an audit adjustment. However, we do not agree with Parker Russell Turner that 'no proper reconciliation is being carried out'.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>We did not propose an audit adjustment to correct this discrepancy, because no proper reconciliation is being carried out with the LESA system.</p>									
<p><i>Recommendation</i></p> <p>8.2.2. We recommend that the Council regularly reconciles the income recorded in the accounting system with the LES Report 483 to ensure accuracy and completeness.</p>	<p>Rabat Local Council is reconciling the income recorded with the LES Report 483 on a regular basis.</p>								
<p><b>9. DEBIT TRANSACTIONS</b></p> <p><b>9.1. Procurement Guidelines</b></p> <p><i>Weakness</i></p> <p>9.1.1. During our audit fieldwork on the debit transactions, the following irregularity was noted whereby the Council did not obtain a quotation, as follows:</p> <table border="1" data-bbox="1099 887 1267 1899"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Instant Road Repair</td> <td>Bitmac</td> <td>22/07/2022</td> <td>802</td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Instant Road Repair	Bitmac	22/07/2022	802	<p>Rabat Local Council always asks for quotations for amounts over €50. However, when works are needed urgently, such as the replacement of storm water channels, pipe laying in low lying areas such as in Chadwick Lakes, re-erection of rubble walls to safeguard farmers' crops in storms and deter soil erosion, urgent repairs on council machinery such as the council van, grass cutting in places where drivers' view is</p>
Detail	Supplier	Date	Amount						
Instant Road Repair	Bitmac	22/07/2022	802						

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

Xoghol ta' tinfid u tinfid tal- Katussi fi Triq il -Fiddien u zoghol ta rampi mil gidid għall bdiewa	Gary Tanti	17/02/2022	3,900	obstructed, signs that prevent accidents in roads, welding to hold culvert lids in place, urgent legal services to answer court enquiring letters such as those by Advocate Richard Sladden, we had to resort to direct orders, and do not see an irregularity in such circumstances. The unfair alternative is issuing a tender with a retainer and if there is no need for advise, you have to pay anyway the monthly fee for nothing.
Xoghol ta bini ta hitan tas- sejjieh, fl-akwati ta' Triq il- Buskett u Bahrja	Stephen Tanti	17/02/2022	4,600	
Xoghol ta' 20 metru bankina fis-Salvatur: culverts u konkos	Frankie Grech	24/08/2022	4,248	
Storm water culvert and pipe laying- Phase 1 at Chadwick Lak - Excavation, installations and trench instalments	Joe Tanti	31/07/2022	4,747	
Storm water culvert and pipe laying- Phase 2 at Chadwick Lake	Joe Tanti	06/12/2022	4,637	
40 U Bar & welding culverts at Triq Vjal il- Haddiem, Triq il-Kbira & Pkjazza San Duminku	Christian Schembri	30/12/2022	2,832	
707- 30 X 8cm reinforces and laminated stickers pole labels	Viking Signs	10/03/2022	1,960	
Supply of signs, brackets & Post	B.Grima & Sons Limited	24/02/2022	531	
Illumination Signs: Triq Ghajin Qajjet, Rabat	B.Grima & Sons Limited	06/12/2022	507	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



2 Gear leaver cables: HBF-709	Plumpton Garage	01/01/2022	1,006
Parts and labour HBF-709 Council Van	Plumpton Garage	05/04/2022	983
Tyres for council van HBF-709	Kevin Farrugia	14/06/2022	750
Xoghol ta qtuh ta haxix: Kuncizzjoni	Gauci Ron	05/01/2022	2,000
Pre-event risk assessments re Christmas Events	Health & Safety	05/12/2022	1,475
AV equipment- Dului Mass: Parish square	Gen Audio	08/04/2022	1,460
AV equipment hire- Fashion show at Rabat Parish Parvis	Gen Audio	24/10/2022	4,265

9.1.2. Similarly, the following irregularity was noted whereby the Council only obtained one quotation, as follows:

Detail	Supplier	Date	Amount
Grass cutting and clean up of Liz-Zball up to Imtahleb Hill	Martin Cutajar	20/06/2022	2,000

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

9.1.3. Further, the following irregularity was noted whereby the Council did not obtain any quotations. However, the Council only uses this supplier for its legal services even though no agreement is in place:

Detail	Supplier	Date	Amount
Legal services including attendance & assistance for evaluation against Malta Motorsport Federation	Richard Sladden	25/05/2022	1,046
Legal services & evaluation meetings re judicial letter against spouses Mallia of Bahrija	Richard Sladden	12/07/2022	1,079
Legal services including research, legal opinion re revision of judicial letter against Cieffe Projects Furnshings Ltd	Richard Sladden	04/08/2022	1,035

*Recommendation*

9.1.4. In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government, the Council should obtain at least three signed quotations for purchases exceeding € 50 up to € 5,000 unless, for purchases exceeding € 50 but not € 500, a direct order approved by the Executive Secretary is issued.

Rabat Local Council is stretching its resources and capacity to try to obtain three quotations before direct orders are issued.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p><b>9.2. Accounting for Debit Transactions</b></p> <p><i>Weakness</i></p> <p>9.2.1. Whilst checking the water and electricity bills for the entire year, it was noted that the expenses are not being accounted for properly, with various invoices being omitted especially for the properties at 30 and 34 Triq Inguanez, Rabat. In fact, an overall discrepancy in understated water and electricity expenses of € 2,666 arose. An adjustment was affected to account for the expense for the year as per the invoices against the creditor control account.</p>	<p>The statement by Parker Russell Turner that various Water and Electricity bills are omitted were not backed by the invoices details. However, we admit that this might be an oversight or else these invoices never reached us on time for them to be recorded in the accounting package.</p>
<p><i>Recommendation</i></p> <p>9.2.2. We recommend that all debit transactions are included in the system during the period when they are incurred. Further, we recommend that regular reviews are done by the accountant in liaison with the Executive Secretary to ensure that all expenditure is included in the accounts, and that for every third-party expenditure incurred by the Council, a corresponding invoice is issued and presented.</p>	<p>Concerted efforts are being made to regularly enter each and every debit transaction in the relevant nominal and suppliers accounts.</p>
<p><b>9.3. Rent expense</b></p> <p><i>Weakness</i></p> <p>9.3.1. While performing audit procedures, we noted that the Local Council recorded a rent expense amounting to € 70,524 in the books of account for contracts ranging between short and long term. We noted that the Council did not account for these amounts in accordance with IFRS 16 'Leases' framework. Moreover, the Council did not provide us with an assessment of</p>	<p>Rabat Local Council does not have any comments on the "modified opinion" on the rent expense matter that are allegedly not in accordance with IFRS 16 'Leases'.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>leases in line with the applicable standard. Therefore, we had no other option but to issue a modified opinion on this matter.</p> <p>9.3.2. While testing rental expenditure to the rental agreements, it was noted that rent expenses for the year was understated by € 885 mainly in view of the over provision of rental prepayments coming from the previous year.</p> <p>9.3.3. Further, it was noted that the rental invoices for the garage situated in Triq Mons. K. Depiro are being issued at a higher rate than the amounts stipulated in the contract. In fact, invoices are being issued at a monthly rate of € 400, while the contract stipulates that the consideration is that of € 920 per annum.</p>	<p>The understatement of €885 emanating from previous year prepayments should be properly accounted for to reflect the position of the local council by year ending 31.12.2022.</p> <p>The owners of the rented garage at Mons.G. Depiro, increased the rent and Rabat Local Council had to adjust the amounts accordingly. Indeed in Rabat it is very hard to find a garage of that size, with water, electricity and drainage services. We are still searching for an ideal one that fits all our belongings.</p>
<p><i>Recommendation</i></p> <p>9.3.4. We recommend that the Council reviews all its lease contracts in place and considers the impact of IFRS 16 on the Council's financial statement and adjusts accordingly.</p> <p>9.3.5. Further we recommend that all debit transactions are included in the system during the period when they are incurred, and we also recommend that the Council obtains an amended contract to include any changes in the rates.</p>	<p>We considered alternative operation sites. However, we found none, and we are aware that the lease contracts are a burden onto Rabat Local Council. Amended contracts now reflect increases in values of lease agreements.</p>
<p><b>9.4. Contracts</b> <i>Weakness</i></p> <p>9.4.1. During our audit testing, it was noted that the monthly invoices of Stephen Bugeja for the cleaning of public convenience of Triq Santa Rita, Rabat,</p>	<p>The €100 per month discrepancy was incurred to cover consumable, such as detergents,</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>were being issued at a higher rate of € 100 per month, than the amounts stipulated in the contract.</p> <p>9.4.2. Similarly, it was noted that the costs issued in relation to the tender for the Electrical Christmas Decorations and Laying Of Electrical Mains And Necessary Electrical Gear in Ir-Rabat (Malta) awarded to Mica Med Limited of € 33,500 excluding VAT, were significantly higher than the amounts included in the tender by € 82,624.</p>	<p>toilet paper, etc.</p> <p>Rabat Local Council is aware of the high costs for the Christmas decorations. However, expenses continued to inflate themselves especially with regards to the laying of electricity mains due to copper high costs.</p>
<p><i>Recommendation</i></p> <p>9.4.3. It is recommended that the Council monitors very closely the terms disclosed in the contracts in place with suppliers, and amendments should be made to the contract in include any changes in the rates.</p> <p>9.4.4. Furthermore, the Council should adhere to budgets and ensure that the expenditure being carried out is in line with the proposed budgets.</p>	<p>The council is continuously monitoring the contracts in place with suppliers and amendments are being done to avoid discrepancies.</p>
<p><b>10. PAYROLL AND HUMAN RESOURCES</b></p> <p><i>Weakness</i></p> <p>10.1. We have performed a wages reconciliation between FSS documentation submitted and the wages as per the accounts. Wages in the accounts were overstated by € 576, mainly in view that wages were not declared in full on one of the employee's FS3, this being Ms. Caroline Farrugia. No adjustments were affected to this affect.</p>	<p>As an oversight, Ms. Caroline Farrugia's Salary discrepancies, resulted in an overstatement of €576.</p> <p>Ms. Yvonne Spiteri was not engaged by Rabat Local Council. As such no contract was agreed with Rabat Local Council. She is seconde</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



	<p>10.2. Further, during our audit fieldwork, we were not provided with the contract of the Clerk, Ms. Yvonne Spiteri, since the said employee has been seconded to the Local Council by the Social Security Department, and no contract was done for this with either party.</p>
<p>All FSS forms were completed and received by the Commissioner for Revenue.</p> <p>Yvonne Spiteri's agreement was never received by Rabat Local Council despite several attempts made from this office.</p>	<p><i>Recommendation</i></p> <p>10.3. We recommend that reviews are performed to ensure that FSS forms are completed properly to ensure that all amounts paid are correctly declared to the Commissioner for Revenue.</p> <p>10.4. We also recommend that an agreement is entered into between the employees and the Local Council which discloses the employees' roles and responsibilities, their PayScale and all other relevant information.</p>
<p>Major changes were done from back-end by MITA and Director Local Government on the Local Government website. It was up-to-date.</p>	<p><b>11. INFORMATION PROVIDED ON THE PORTAL</b></p> <p><i>Weakness</i></p> <p>11.1. Whilst checking the Local Council's portal on the Local Government website, we have noted that the Council has failed to upload the following documents within the required time frame, in accordance with Memos 36/2011 and 01/2014, particularly for the following:</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<ul style="list-style-type: none"> <li>• Unaudited financial statements of the year ended 31 December 2022;</li> <li>• Management letter and the Council's replies for the year ended 31 December 2021;</li> <li>• Quarterly reports from April to June and October to December for the year 2022;</li> <li>• Minutes and the scheme of payment for the year 2023.</li> </ul> <p>11.2. Moreover, it is noted that the Mayor and the Councillor list is not being updated to reflect the changes happening during the year and some of the modifications go back to previous years.</p>	<p>However, these changes must have deleted the already uploaded file in incompatible formats. Rabat Local Council is being continuously chased by Director Local Government employees to update all financial documents.</p> <p>The Mayor and the councillors list is the one that were in office back then, soon after the elections. Mr. Ian Vassallo and Dr. Karl Muscat are still showing but have been replaced, later in through the legislation, by Mr. Norbert Grech and Ms, Janice Busuttil.</p>
<p><i>Recommendation</i></p> <p>11.3. We recommend that the Council uploads all documents in pdf format within the required time for each specific report as per the Local Government (Financial) Regulations.</p> <p>11.4. We also recommend that the Council places more attention to ensure that all of the necessary documents are uploaded on the portal in a consistent matter to avoid any duplications or confusion.</p>	<p>Documents are being regularly uploaded on our portal.</p>
<p><b>12. ACCOUNTING SYSTEM</b></p> <p><i>Weakness</i></p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

<p>12.1. The following main deficiencies were noted in the accounting system of the Council:</p> <ul style="list-style-type: none"> <li>• Capital grants were not reflected correctly in the accounting system;</li> <li>• Deferred and accrued income are not being completely reflected;</li> <li>• Adjustments had to be reflected to account for Accruals and prepayment which were omitted from the accounting system;</li> <li>• Other adjustment had to be reflected to account for omitted capital costs and administrative expenditure;</li> <li>• Reclassifications were done at audit level to record capital costs which were previously disclosed as administrative costs;</li> <li>• Various reclassifications between the administrative expenses and income have been affected at audit level following audit testing and scrutinization of the nominal ledger;</li> <li>• Adjustments were also passed to reverse double postings of sales and purchases invoices.</li> </ul> <p>Many of the above weaknesses will provide incomplete and limited management information to the Council and will impact the presentation of the accounts. Lack of information will distort financial results and will not provide management with accurate financial information in order to base its operational decisions.</p>	<p>Deficiencies noted by Parker Russell Turner in the Capital Grants, Deferred and Accrued Income, and accruals and Prepayments were eventually recorded to better reflect the management information of Rabat Local Council.</p> <p>Rabat Local Council agreed with the proposed adjustments by Parker Russell Turner with regards to the omission of the capital and administrative expenditure, the reclassification of such costs, including the income and the passing of adjustment with regards to double posting of sales and purchases invoices.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p><i>Recommendation</i></p> <p>12.2. It is recommended that the Council regularly reviews the accounting work in liaison with the accountant to ensure accuracy and completeness of the Councils' records.</p>	<p>Meetings during which the administration is liaising with accounting personnel are being held continuously and many emails are sent to clarify things up on a daily basis.</p>
<p><b>13. PRIOR YEAR ADJUSTMENTS</b></p> <p><b>13.1. Capital Grants</b></p> <p>13.1.1. Capital grants approved in 2021 for the St. Rita Project which pertained to costs incurred in 2021, and amounted to € 34,919 were not reflected in the previous year. As such, a prior year adjustment was passed to account for the full grant of € 90,579 as other debtor with the corresponding entries being reflected against the capital grant and against the deferred income representing the grant for future years. In addition, a transfer was also done for such capital costs in order for these to be disclosed as assets still in progress rather than urban improvements.</p> <p>13.1.2. Capital grants for the restoration of the St. Margaret Cemetery amounting to € 21,794 were not reflected in the previous year. Against such grant, costs were incurred in 2021 amounting to € 20,252. As such, a prior year adjustment was passed to account for the full grant as other debtor corresponding entries being reflected against the capital grant and against</p>	<p>Rabat Local Council has no problem recognising the St. Rita Street project of Embellishment, as assets <i>still in progress</i> and also to the adjustment made concerning the <i>prior year adjustment</i>.</p> <p>We also have no difficulty in the prior year adjustment passed by auditors with regards to the restoration of St. Margaret Cemetery.</p> <p>Nor we do have any objection for the reversal of the depreciation charge.</p> <p>Rabat Local Council does not have any objection for the adjustment made by Auditors</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>the deferred income representing the grant for future year. Another adjustment was passed to reverse the depreciation charge accounted in 2021 amounting to € 20,252.</p> <p>13.1.3. Capital grants for the refurbishment of the Rabat Local Council were not recorded during 2020 or 2021 against the costs incurred in each respective years amounting to € 13,985 and € 14,063. Consequently, a prior year adjustment was passed to account for these against deferred income.</p> <p>13.1.4. Capital grants for the Measure 4.3: Improving the Infrastructure of Rabat amounting to € 100,000 were not recorded during previous years against the costs incurred. Consequently, a prior year adjustment was passed to account for these partly against the opening deferred income and partly against the other debtors since part of the funds have not yet been received.</p>	<p>for the refurbishment of the Rabat Municipality; another <i>prior year adjustment</i>.</p> <p>Rabat Local Council does not have any objection for the prior year adjustment passed in the Capital Grants pertaining Measure 4.3 that is the resurfacing of farm roads.</p>
<p><b>13.2. Depreciation</b></p> <p>13.2.1. Capital assets amounting to € 1,111,102 and their corresponding grants amounting to € 939,309 were reclassified from Assets under Construction to Assets which are ready for use. Consequently, a prior year adjustment was passed to account for the depreciation for such assets amounting to € 13,644.</p>	<p>We also agree with the reclassification from assets under construction, to assets which are ready for use; that is the prior year adjustment suggested by Parker Russell Turner.</p>
<p><b>14. PRESENTATION OF FINANCIAL STATEMENTS</b></p> <p>Weakness</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022



<p>14.1. The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU.</p>	<p>We acknowledge that the unaudited financial statements needed updated and further corrections. After all there is always room for improvement with regards to the IFRS adopted by EU.</p>
<p><b>Recommendation</b></p> <p>14.2. We recommend that the Local Council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.</p>	<p>Honestly, the shortcomings noted by Auditors did not preclude anyone to form a clear opinion about the financial stability of the Rabat Local Council.</p>
<p><b>15. CONCLUSIONS</b></p> <p>15.1. More controls should be instigated to improve the level of efficiency within the Council. The Council should also analyse employees' work efficiencies to ensure that optimum use is made of public funds.</p> <p>15.2. We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.</p>	<p>Concerted efforts are being made by the limited staff to ensure that public funds are being used as effectively and efficiently as possible.</p> <p>We are very pleased to note the invitation by our Auditors to assist in an action plan to address the deficiencies noted by our Auditors. As such we thank them for their efforts.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2022

