

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

30 May 2023<sup>4</sup>

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 2023. 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 2023, 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,

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



## PREVIOUS MANAGEMENT LETTER

During the course of our audit for the year ended 31 December 2023, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

### **i. Fixed Assets**

We have once again noted shortcomings in the in the fixed asset register, capitalisation of expenses, and procurement procedures in relation to Property, Plant and Equipment as per note 1 on pages 3 to 8. Similar deficiencies were also noted on Grants pertaining to Property, Plant and Equipment as explained on pages 8 and 9.

### **ii. Cash in hand and at bank**

In relation to cash and cash equivalents, we have noted similar shortcomings this year on bank guarantees and treasury management, as denoted in note 3 on pages 10 to 12.

### **iii. 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 and 14.

Furthermore, we have also once again noted various inaccuracies in the accounting of closing accrued income as per note 5 on pages 15 and 16.

### **iv. Trade and other payables**

We are pleased to note that we did not encounter any negative balances in the creditors' list. Furthermore, we noted that the matter in relation to old refundable contractors' deposits amounting to € 8,379 and pertaining to deposits from 2007 has been resolved. 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 pages 20 and 21.

### **v. Income**

We have once again noted shortcomings in general income and income from LES administration fee as per note 8 on pages 21 and 22.

### **vi. Expenditure**

We have once again noted shortcomings in the accounting of the rental expenditure as per note 9 on pages 27 and 28. Furthermore, similar deficiencies were noted in the application of procurement procedures as denoted in note 9 on pages 23 to 26.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023



In relation to payroll costs, minor shortcomings were noted in previous year. Other shortcomings were noted this year on payroll costs as denoted in note 10 on pages 30 and 31.

**vii. Accounting system**

Various weaknesses were encountered in the accounting system of the Local Council in previous year which necessitated various audit adjustments and reclassification. This situation has repeated itself during the year under review, as denoted in note 12 on pages 33 and 34.

**viii. Prior year adjustments**

No similar situations were encountered during the year under review and no prior-year adjustments were necessitated.

**ix. Financial statements presentation**

We have once again noted shortcomings in the presentation of the unaudited financial statements, as per note 13 on page 34.

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*

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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 2023 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 € 151,764, after excluding the assets under construction.</p> <p>1.1.2. Moreover, it was noted that the following additions incurred during 2023 in relation to St Rita Project, were not included in the fixed Asset Register:</p> <table border="1" data-bbox="1101 851 1348 1892"> <thead> <tr> <th>Date</th> <th>Supplier</th> <th>Description</th> <th>Eur</th> </tr> </thead> <tbody> <tr> <td>13/11/2023</td> <td>E&amp;L Enterprises</td> <td>Handrails in flights of stairs</td> <td>17,998.71</td> </tr> <tr> <td>10/11/2023</td> <td>E&amp;L Enterprises</td> <td>Galvanising, blasting &amp; coating</td> <td>22,883</td> </tr> </tbody> </table>	Date	Supplier	Description	Eur	13/11/2023	E&L Enterprises	Handrails in flights of stairs	17,998.71	10/11/2023	E&L Enterprises	Galvanising, blasting & coating	22,883	
Date	Supplier	Description	Eur										
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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 2023



	<p><b>Recommendation</b></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 within 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. Furthermore, it is essential that omissions should be limited as much as possible.</p>								
	<p><b>1.2. Capitalisation of expenditure</b></p> <p><b>Weakness</b></p> <p>1.2.1. During our audit procedures, we noted that there were various capital expenses which were incorrectly accounted for within administrative expenses, as illustrated in the table below. These were capitalised at audit level. Furthermore, in view of this the depreciation charge was understated by € 2,192, which was also adjusted for at audit level.</p> <table border="1"> <thead> <tr> <th data-bbox="1070 1944 1102 2018">Date</th> <th data-bbox="1070 1599 1102 1727">Supplier</th> <th data-bbox="1070 1330 1102 1435">Details</th> <th data-bbox="1070 882 1102 936">Eur</th> </tr> </thead> <tbody> <tr> <td data-bbox="1257 1877 1289 2018">28/2/2023</td> <td data-bbox="1257 1570 1289 1727">IO Projects</td> <td data-bbox="1193 987 1326 1435">Urban Improvements included within Repairs and upkeep – Public Property Landscaping/ Irrigation system- St Rita</td> <td data-bbox="1257 882 1289 981">15,340</td> </tr> </tbody> </table>	Date	Supplier	Details	Eur	28/2/2023	IO Projects	Urban Improvements included within Repairs and upkeep – Public Property Landscaping/ Irrigation system- St Rita	15,340
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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 2023

6/6/2023	IO Projects	Irrigation system – Gnien Bir il Gibjun	17,002.62
13/11/2023	Jake Borg	Scarfifying and working around projections of Triq ir- Rebha	5,900
<i>Asset under Construction included within Professional Fees – Other support services</i>			
30/11/2023	BOLD	Full redevelopment of all plans and drawings	3,953
<i>Asset under Construction included within Engineering Services</i>			
12/12/2023	Perit Chetcuti	Christian Site technical officer services for PA/08038/19	3,050
<i>Asset under Construction included within Professional fees</i>			
28/2/2023	Med Design	Estimate of works	1,236.43
7/3/2023	Med Design	Condition report, BMA, WMS & expenses including photos	1,516.30
10/8/2023	Med Design	Professional fees: Bill 1	2,044.82
<i>Urban Improvements included within Professional fees</i>			
28/8/2023	Med Design	Professional fees: Asphalt works	1,481.37

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<p>1.2.2. Moreover, whilst carrying out audit procedures, we noted that an invoice issued by Mica Med Limited relating to dimming systems installed for the street lighting amounting to € 99,828 was omitted from the accounting system, and the corresponding grant as denoted under note 1.4.3. Creditors to the equivalent amount were adjusted for at audit level.</p>	
<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> <ul style="list-style-type: none"> <li>(a) Assets purchased in terms of IAS 16 Property, Plant and Equipment;</li> <li>(b) Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and</li> <li>(c) Assets under development and not yet brought to use.</li> </ul> <p>More attention should be given by the accountants in charge and the Local Council officers for better classification of costs.</p>	

### 1.3. Fixed Assets Additions

#### Weakness

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 additions:

Detail	Supplier	Date	Amount
Iron Gates for Public Convenience at College Street	Jason Farrugia	10/8/2023	4,776
Construction of Bridge at Mtahleb	A&C	29/5/2023	5,000
Resurfacing of Triq ir-Rebha	BI Contractors	3/11/2023	5,900

The Local Council informed us that the above additions were matters of urgency.

1.3.2. Furthermore, it was noted that tender for purchase of gym equipment for the playing field was awarded for € 6,275.13 excluding VAT. Nonetheless the total amount invoiced by the suppliers was € 37,738.94, pertaining to an additional swing which was not included in the original tender document.

	<p><b>Recommendation</b></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><b>1.4. Capital Grants</b></p> <p><b>Weakness</b></p> <p>1.4.1. During October 2022, the Rabat Local Council applied for the Scheme for the Development and the Refurbishment of the Playing Fields in Malta &amp; Gozo in order to restore and refurbish the playing field of Gnien Bir Ijjun. The project has been completed and all costs have been incurred. Nonetheless, the Local Council did not account for the remaining funds receivable of € 6,275 against Capital Grants in Property, Plant and Equipment, and accrued income.</p> <p>1.4.2. Similarly, During November 2022, the Rabat Local Council applied for the Scheme for Financing of 'Progetti Kapitali - Komunitajiet Isbah u Aktar b'Sahhitom' for the refurbishment of Municipju Tar- Rabat at 8 Triq L Isptar. Such application was reviewed and accepted whereby the Council was set to receive the balance of € 107,000. Costs incurred for the said project exceeded the grant receivable. Nonetheless the Council did not account for</p>		

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<p>the remaining grant receivable of € 7,245 as accrued income. An adjustment was effected at audit level to this effect.</p> <p>1.4.3. During 2023, the Council entered into an agreement with Energy and Water Agency for lighting to be effected on basis of dimming schedule. A grant of € 99,828 was received. This costs for the Dimming project have been incurred since the project has been completed. Nonetheless, this grant was incorrectly reflected as deferred income. An audit adjustment was reflected to reverse the deferred income against Capital Grants for the year.</p>	
<p><i>Recommendation</i></p> <p>1.4.4. 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><i>Other observations</i></p> <p>1.4.5. 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 and carry out the necessary impairment tests.</p> <p>1.4.6. Capital commitment notes in the financial statements was not amplified and did not provide the necessary details. This has been updated at audit level.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023



<p><b>2. INVENTORY</b></p> <p><i>Weakness</i></p> <p><b>2.1.</b> No stock list was provided confirming stock of books held at year end of € 7,103. Furthermore, we were not aware of any physical stock counts carried out by the Council as at 31 December 2023, and consequently did not attend for a stock take.</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 is counted physically and reconciled with quantities reflected in the stock list.</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 € 849,767 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. In fact, it was difficult 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 2023



	<p>reconcile the amount of monies held on behalf of third parties to creditors outstanding at year end, as denoted in note below.</p> <p>3.1.3. Furthermore, despite the fact that the Council had substantial bank balances at year end, bank interest received during the year under review was minimal. This has mainly arisen as a result of high balances being kept in a current account, rather than being invested in a savings account.</p>	
	<p><i>Recommendation</i></p> <p>3.1.4. 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>3.1.5. 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><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.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<p>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><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><b>3.3 Cash reconciliations</b></p> <p><i>Weakness</i></p> <p>3.3.1. Included with cash in hand and at bank, there is a petty cash balance of € 903, which could not be traced to a cash reconciliation effected at year end. Although we could trace various deposits effected in the company's bank account after year end, we could not verify with accuracy the balance at year end.</p>	
<p><i>Recommendation</i></p> <p>3.3.2. We recommend that a cash count is carried out on a frequent basis prior to amounts are deposited in the Local Council's bank accounts, and a cash reconciliation is documented and kept by the officers. We suggest that more control is carried out to ensure that cash in hand agrees to cash amounts in the accounting records at all times.</p>	



<p><b>4. DEBTORS</b></p> <p><b>4.1. LESA – 10% Administrative fee receivable</b></p> <p><i>Weakness</i></p> <p>4.1.1. Whilst testing trade receivables, we have noted that no proper reconciliation is being done with LESA for amounts receivable at year end of € 6,008. As per the Local Council's books of accounts, there are still outstanding invoices from December 2021, June 2022, October 2022 and December 2022.</p>		
<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 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. A transaction history should be attained from LESA in order to reconcile balances and rectify any differences.</p>		
<p><b>4.2. LES Debtor – Pre-regional</b></p> <p><i>Weakness</i></p> <p>4.2.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 177,647 which is fully provided for</p>		

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023



in the accounts, and which was reconciled during the year according to the LES Report 622 generated from the Loqus system, through an adjustment 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. These were accounted for by the Council during the year.

4.2.2. Furthermore, we have noted that the balance as per LESA Report 622 is actually denominated in Maltese Lira, whereby the closing receivables should be disclosed as Eur 413,806, which is the equivalent of Lm 177,647. Although this misstatement does not have an impact on the statement of comprehensive income and statement of financial position, given that amounts are fully provided for, this is resulting in an incorrect disclosure in the financial statements, which has been recurring for a number of years. This requires appropriate and updated disclosures in the financial statements.

#### *Recommendation*

4.2.3. 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

<p>of the Council, and every effort should be made to get the necessary directions from the Department of Local Government.</p>	
<p><b>5. ACCRUED INCOME</b></p> <p><i>Weakness</i></p> <p><b>5.1.</b> During our audit fieldwork, we noted that the Council failed to record accrued income pertaining to the following:</p> <ul style="list-style-type: none"> <li>• Financial assistance for the Christmas decorations received from the MTA amounting to € 5,000;</li> <li>• Financial assistance from the Regjun Punent amounting to € 746;</li> <li>• Financial assistance for World Clean up Campaign income of € 375;</li> <li>• Financial assistance for refurbishment at Gnien Bir Ijzun of € 6,725 funded under the Scheme for the Development and the Refurbishment of the Playing Fields in Malta &amp; Gozo. The project costs have been incurred during 2023, and consequently the corresponding entry was passed against capital grants as per note 1.4.1 above;</li> <li>• Financial assistance for the refurbishment of the Council office at Municipju tar Rabat, 8, Triq l lispjar, funded under Scheme for Financing of 'Progetti Kapitali - Komunitajiet isbah u aktar b'sahhitom' was understated by Eur7,245. Corresponding entry was passed against capital grant as per note 1.4.2 above;</li> <li>• Accrued income was understated by € 15,328 pertaining to claims against salaries effected under The Interreg Project was carried out</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 2023

<p>together with the Energy and Water Agency and other entities. Corresponding entry was passed against Income for the year.</p> <p>Adjustments were affected at audit level to account for the above transactions.</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><b>6. CREDITORS</b></p> <p><b>6.1. Creditors control</b></p> <p><i>Weakness</i></p> <p>6.1.1. The creditors list provided for the audit amounting to €801,585, did not agree to the creditors control account of € 780,463, resulting in an unexplained difference of € 21,122.</p> <p><b>6.2. Long outstanding creditors</b></p> <p><i>Weakness</i></p> <p>6.2.1. 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:</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<b>Creditor</b>	<b>€</b>
<i>Creditors which could not be verified:</i>	
Agius Stone Works	28,230
ARMS - Public Convenience	294
Clint Zammit	90
Carmelo Gauci	28,704
Koperattiva tat-Tabelli u Sinjali	1,540
Kumitat Festi Esterni Corps Domini	300
MED Design Associates	5,554
Terracore Co Ltd	590
WM Environmental Limited	7,434
	<u>72,736</u>
<i>Creditors which were verified:</i>	
Mica Med Limited	61,077
Bonnici Brothers Limited	226,181
Synthesis Management Services Limited	6,067
	293,325
<b>Total long outstanding</b>	<b><u>366,061</u></b>

It is to be noted that against the balance due to Bonnici Brothers and Sythesis Management Services Limited, the company was served with a garnishee order during the year under review. Corresponding amounts are disclosure with bank balances held with the Courts of Malta until the outcome of the claim.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

	<p><i>Recommendation</i></p> <p>6.2.2. 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>6.3. Suppliers' statements</b></p> <p><i>Weakness</i></p>	<p>6.3.1. 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><i>Recommendation</i></p>	<p>6.3.2. 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><b>6.4. Creditor confirmations</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 2023

<p>6.4.1. We have obtained transaction history from Mica Med Limited and noted the following:</p> <ul style="list-style-type: none"> <li>- Invoice pertaining to Christmas Decorations issued in December of € 122,153 was omitted from the accounting system, and accounted for through audit adjustment against administrative expenses for the year;</li> <li>- Invoice pertaining to works in relation to the Dimming Systems issued in March of € 99,828 was omitted from the accounting system, and accounted for through audit adjustment against Capital Assets, 'Street Lighting'.</li> </ul> <p>Following the above audit adjustments, an unexplained discrepancy of € 4,387 has resulted. Out of the total amounts outstanding of € 330,773 , an amount of € 61,066 pertains to 2020 to 2021, which clearly shows that supplier reconciliations are not being carried out.</p> <p>6.4.2. 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, and no action has ever been taken.</p>	
<p><i>Recommendation</i></p> <p>6.4.3. We recommend that the Council reconciles creditors' balances on a regular basis to ensure that any differences are promptly identified and investigated.</p>	



<p><b>6.5 Other Creditors</b></p> <p><i>Weakness</i></p> <p>6.5.1. During our audit testing, we noted that other creditors pertaining to amounts payable to LESA, Housing Authority and Lands Authority are not being reconciled with the actual receipt of fund payable to the said third parties. In fact, our reconciliation with post-year end payments revealed a discrepancy of € 3,927 with other creditors recorded in the books of accounts.</p>		
<p><i>Recommendation</i></p> <p>6.5.2. We recommend that the Council carried out reconciliation of amounts received on behalf of third parties with amounts recorded in the books of accounts. We reiterate the importance for better segregation of bank accounts, for third party monies to be kept separate from operational funds, which will enhance the control procedures applied to this effect.</p>		
<p><b>7. ACCRUALS AND PREPAYMENTS</b></p> <p><i>Weakness</i></p> <p>7.1. 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 Overstated by € 1,323. An adjustment was affected at audit level;</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 2023

	<ul style="list-style-type: none"> <li>• Performance bonus accruals were overstated by € 180. An adjustment was affected at audit level.</li> </ul>																					
<p><i>Recommendation</i></p>	<p>7.2. 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><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 income recorded in the accounting system, an overall difference of € 29,944 arose, representing income which was received by the Council but for which a receipt has not been issued from the online system, as illustrated below:</p>	<table border="0"> <thead> <tr> <th></th> <th style="text-align: right;"><b>Cultural Activities</b></th> <th style="text-align: right;"><b>Permits</b></th> <th style="text-align: right;"><b>Trenching works</b></th> <th style="text-align: right;"><b>Other income</b></th> </tr> </thead> <tbody> <tr> <td>As per Online System</td> <td style="text-align: right;">-</td> <td style="text-align: right;">17,269.33</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>As per nominal ledger</td> <td style="text-align: right;">150.00</td> <td style="text-align: right;">44,798.76</td> <td style="text-align: right;">192.23</td> <td style="text-align: right;">2,073.12</td> </tr> <tr> <td>Difference</td> <td style="text-align: right;"><u>(150.00)</u></td> <td style="text-align: right;"><u>(27,529.43)</u></td> <td style="text-align: right;"><u>(192.23)</u></td> <td style="text-align: right;"><u>(2,073.12)</u></td> </tr> </tbody> </table>		<b>Cultural Activities</b>	<b>Permits</b>	<b>Trenching works</b>	<b>Other income</b>	As per Online System	-	17,269.33	-	-	As per nominal ledger	150.00	44,798.76	192.23	2,073.12	Difference	<u>(150.00)</u>	<u>(27,529.43)</u>	<u>(192.23)</u>	<u>(2,073.12)</u>	
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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 2023

	<p><i>Recommendation</i></p> <p>8.1.2. 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><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 € 95. We did not propose an audit adjustment to correct this discrepancy, because no proper reconciliation is being carried out with the LESA system and differences are minimal. Furthermore, the Council is carrying out a separate reconciliation to keep track of all contravention payments received at the Council.</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>	

## 9. DEBIT TRANSACTIONS

### 9.1. Procurement Guidelines

#### Weakness

9.1.1. During our audit fieldwork on the debit transactions, the following irregularity was noted whereby the Council did not obtain any quotations, as follows:

Detail	Supplier	Date	Amount
<b>Other costs</b>			
Removal and re location of bus shelters	FACES	28/07/2023	3202.52
Scarfing and working around projections of Triq ir-Rebha	JAKE BORG	13/11/2023	5900.00
Miscellaneous	RABAT PLANT	12/08/2023	945.80
Miscellaneous	RABAT PLANT	30/08/2023	801.30
Road marking paints	B GRIMA & SONS LTD	29/12/2023	2903.97
Signs	B GRIMA & SONS LTD	13/11/2023	1368.33
Flowers for churches	THE FLORAL DESIGNER	18/10/2023	3750.00
Flowers for infiorata	SILVAN CARABOTT	30/09/2023	1106.40

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

Production of Logo design, graphical content & Audiovisual	I COMMUNICATIONS	27/09/2023	1416.00	
Grass cutting: Triq id- Dwejra & Triq Wildlife	LUKE VELLA	15/06/2023	5044.50	
Grass cutting: Triq l- Isball & Chadwich Lakes road	MARTIN CUTAJAR	30/08/2023	4000.00	
Grass cutting of roads in Rabat- June 23	DNP	28/06/2023	4499.34	
Grass cutting	DENNIS CALLEJA	30/08/2023	5431.00	
Cleaning of ta' Koronja, Vincenzo Ciappara, Ghemieri with wh	JOSEPH GALEA	31/10/2023	5888.20	
Site technical officer services for PA/08038/19	PERIT CHRISTIAN CHETCUTI	12/12/2023	3050.00	
AV equipment hire- Jum- Rabat	GENAUDIO	04/09/2023	5878.76	
Entertainment services- Jum ir- Rabat	MICHELLE MIFSUD	28/08/2023	1300.00	
<b>Rabat Sacrum costs</b>				
Security services- September 23- Rabat Sacrum	JF SECURITY & CONSULTANCY SERVICES LTD	28/09/2023	1656.72	
AV equipment hire- Dului mass- parish square	GENAUDIO	31/03/2023	1582.38	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

Paperweight vase	VALLETTA GLASS	16/08/2023	1373.00
6 site co-ordination opn 23.09.23-24.09.23	EVENTS MALTA	14/09/2023	1800.00
Photography service 22.11.22- 08.08.23	LUCA SCHEMBRI	14/08/2023	1014.80
Count Roger Band- 23 & 24.09.23	SOCJETA SAN PAWL BANDA KONTI RUGGIERU	02/10/2023	1500.00
Sound for Rabat Sacrum	TSS SOUND RENTALS	28/09/2023	3858.60
Hiring of 2 toilets - 18.08.23	SANPREM	19/08/2023	88.50
AV Equipment Hire- Rabat Sacrum	GENAUDIO	25/09/2023	5370.18
AV Equipment Hire- Rabat Sacrum : Stage/Zuntier	GENAUDIO	25/09/2023	4748.32
AV Equipment Hire- Rabat Sacrum : Audio & Lightings: Stage/Z	GENAUDIO	25/09/2023	5754.86

9.1.2. 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:

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

Detail	Supplier	Date	Amount
Legal services - Mandat ta' Sekwestru- Bonnnci Bros	Richard Sladden	19/12/2023	2191.58
<p>No requests for quotations or tenders were issued for the legal counsel of Rabat Local Council. The Council has been appointing same lawyer for a number of years.</p>			
<p><i>Recommendation</i></p> <p>9.1.3. 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.</p>			
<p><b>9.2. Omitted Debit Transactions</b></p> <p><i>Weakness</i></p> <p>9.2.1. Our verification of debit transactions revealed that the invoice for Christmas Decorations charged by MicaMed Ltd in December 2023 of € 122,154 was omitted from the accounting system. An adjustment was affected to account for the expense for the year as per the invoices against the creditor control account. This omission has also caused lack of comparability between expense accounts in the statement of comprehensive income of the unaudited financial statements.</p>			

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<p>9.2.2. Furthermore, it was noted that there were prior period invoices which were omitted in previous years and which were included in 2023 books of accounts as follows:</p> <ul style="list-style-type: none"> <li>- Invoices issued by Mica Med Ltd relating to 'Repairs street upkeep' of € 27,295 and pertaining to years 2020 to 2022;</li> <li>- Invoices issued by Mica Med Ltd dated 2022 of € 8896.61 relating to 'Repair and upkeep - Plant and Equipment';</li> <li>- Invoices pertaining to glass collection pertaining to 2022 and amounting to € 5,664.</li> </ul> <p>The above clearly shows that suppliers reconciliations are not being carried out on a regular basis.</p>	
<p><i>Recommendation</i></p> <p>9.2.3. 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><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 € 79,347 in the books of accounts for</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

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 leases in line with the applicable standard. Therefore, we had no other option but to issue a modified opinion on this matter.

9.3.2. Further, it was noted that the rental invoices for the following properties are being issued at a higher rate than the amounts stipulated in the contract:

- garage situated in Triq Mons. K. Depiro is being charged at a monthly rate of € 400, while the contract stipulates that the consideration is that of € 920 per annum;
- rent for the office and the garage situated in Inguanez Street has increased by € 600 per month during 2023 which increase was not supported by updated agreement, and which we consider excessive from previous rent charges;
- leased property at 7 Hospital Street is being charged at € 480 per month, whilst the contract stipulates a charge of € 400 per month. Such increase has been effective as from 1 January 2023 without being supported by an updated written agreement.

*Recommendation*

9.3.3. 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>9.3.4. It is also 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><b>9.4. Contracts</b></p> <p><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, were being issued at a higher rate of € 100 per month, than the amounts stipulated in the contract. Furthermore, we have noted that tender for this service was not issued, in view of the fact that these individuals have provided an impeccable service during the past years and the prices being charged are much lower than the market rates.</p> <p>9.4.2. Similarly, it was noted that the costs issued in relation to the tender for 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>9.4.3. In relation to accountancy services, it was noted that the contract agreement following the tender award had expired on 30 April 2022 and extended for additional two years which is not in compliance with Procurement Guidelines. A tender has been issued in 2024.</p>	

<p><i>Recommendation</i></p> <p>9.4.4. We recommend that the Local Council adheres to the Memo 13/2013 issued by the Department of Local Government which highlights the importance that contracts in place should not be expired. The Council should monitor very closely the expiry dates of contracts in place with suppliers, and should re-issue quote for quotations or another tender, once the stipulated period included in the previous tender document has expired.</p> <p>9.4.5. Furthermore, the Council should adhere to budgets and ensure that the expenditure being carried out is in line with the proposed budgets.</p>	
<p><b>10. PAYROLL AND HUMAN RESOURCES</b></p> <p><i>Weakness</i></p> <p>10.1. 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>10.2. Furthermore, we have noted that the national insurance contributions for one particular employee was wrongly calculated. The employee has changed her job status from Full-time Reduced to Full-time for the last 13 weeks of the year. Nonetheless, national insurance contributions were wrongly prorated to 30 hours for the last 13 weeks of the year, resulting in a difference of € 144 has resulted.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023



	<p>10.3. During our audit fieldwork, we noted that the Executive Secretary's performance bonuses was not calculated correctly in line with the Working Conditions for Executive Secretaries within Local Government. A difference of € 181 arose. This was adjusted for at audit stage.</p>	
	<p><i>Recommendation</i></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>10.5. We also recommend that reviews are performed of payroll calculations and FSS forms to ensure that these are completed properly and that all amounts payable to the Employee, in terms of net salary, and to the Commissioner for Revenue, in terms of national insurance contributions, are correct.</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> <ul style="list-style-type: none"> <li>• Unaudited financial statements of the year ended 31 December 2023;</li> <li>• Audited financial statements for the year ended 31 December 2022!</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 2023

<ul style="list-style-type: none"> <li>• Annual budgets for the years 2023 and 2024;</li> <li>• Management letter and the Council's replies for the years ended 31 December 2021 and 2022;</li> <li>• Quarterly reports from April to June and October to December for the year 2022, and all quarterly reports for the year 2023.</li> <li>• No uploads were effected for sections Business Plans.</li> <li>• Minutes for December 2023 and for the first few months of 2024 were not uploaded. Furthermore, it was noted that all minutes for the year 2023 were uploaded on 31 January 2024.</li> <li>• Included within Publications Section of the Minutes, there are uploads of Petty Cash Vouchers for the four quarters of the year, which information need not be made public.</li> </ul> <p>11.2. Moreover, it as noted that the Mayor and the Councillor list is not being updated to reflect the changes happening during the past years. In fact some of the modifications go back to previous years.</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><b>12. ACCOUNTING SYSTEM</b></p> <p><i>Weakness</i></p> <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>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

<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><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><b>13. PRESENTATION OF FINANCIAL STATEMENTS</b></p>		
<p><i>Weakness</i></p> <p>13.1. 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><i>Recommendation</i></p> <p>13.2. 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>		

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2023

**14. CONCLUSIONS**

14.1. Better control procedures should be implemented particularly in accounting for transactions. More attention is necessitated in relation to cut-offs of transactions and correct classifications thereof.

14.2. 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.

