

The Members
Rabat Local Council
34, Triq Inguanez
Rabat
Malta

30 May 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 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.

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.

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

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*
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>1. PROPERTY, PLANT AND EQUIPMENT</p> <p>1.1. Fixed Asset Register</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="1053 891 1244 1991"> <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&L Enterprises</td> <td>Handrails in flights of stairs</td> <td>17,998.71</td> </tr> <tr> <td>10/11/2023</td> <td>E&L Enterprises</td> <td>Galvanising, blasting & coating</td> <td>22,883</td> </tr> </tbody> </table> <p><i>Recommendation</i></p>	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	<p>Rabat Local Council is still working to incorporate the assets in the Fixed Asset Module. Above all, we are concluding the exercise to link the General Ledger of the accounting software with the Fixed Asset Module to determine from where the difference of €151,764 arises.</p> <p>Since the handrails in the flight of stairs between Triq ir-Rebħa and Triq Santa Rita were manufactured but not installed, the Accountant needed the proper co-ordinates by end of year. These were unavailable and now are located at 35.882671, 74.398102.</p>
Date	Supplier	Description	Eur										
13/11/2023	E&L Enterprises	Handrails in flights of stairs	17,998.71										
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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>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>Rabat Local Council is very much aware that the fixed asset register is important to keep updated and is currently being discussed with the IT service provider through our new accountant who is taking over from the previous accountant since he is starting the period of 4 years with Rabat.</p>												
<p>1.2. Capitalisation of expenditure</p> <p><i>Weakness</i></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" data-bbox="622 873 1323 1991"> <thead> <tr> <th>Date</th> <th>Supplier</th> <th>Details</th> <th>Eur</th> </tr> </thead> <tbody> <tr> <td>28/2/2023</td> <td>IO Projects</td> <td>Landscaping/ Irrigation system- St Rita</td> <td>15,340</td> </tr> <tr> <td>6/6/2023</td> <td>IO Projects</td> <td>Irrigation system – Gnien Bir il Gibjun</td> <td>17,002.62</td> </tr> </tbody> </table> <p>Urban Improvements included within Repairs and upkeep – Public Property</p>	Date	Supplier	Details	Eur	28/2/2023	IO Projects	Landscaping/ Irrigation system- St Rita	15,340	6/6/2023	IO Projects	Irrigation system – Gnien Bir il Gibjun	17,002.62	<p>After long discussions it was decided that the soft-landscaping project on lieu of the existing landscaped site where mature carob trees are still visible and the olive trees were uprooted, there should be a reclassification of the IO Projects irrigation system to feed the seasonal plants.</p> <p>We do not have any objection for our Auditor's proposal of capitalising the amount of €15,340</p> <p>Rabat Local Council also does not have any objection for the reclassification of the</p>
Date	Supplier	Details	Eur										
28/2/2023	IO Projects	Landscaping/ Irrigation system- St Rita	15,340										
6/6/2023	IO Projects	Irrigation system – Gnien Bir il Gibjun	17,002.62										

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

13/11/2023	Jake Borg	Scarrifying and working around projections of Triq ir- Rebha	5,900	€17,002.62 at the site of Bir Ilijun Garden and for the reclassification of the expenditure of resurfacing works following Enemalta trench in Triq ir-Rebha.
<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	Bold Desing were hired with a direct order to utilise all the space and the potential unused spaces at 8, Hospital Street as the renovated Municipality offices and thus it was part and parcel of the whole project.
<i>Asset under Construction included within Engineering Services</i>				
12/12/2023	Perit Christian Chetcuti	Site technical officer services for PA/08038/19	3,050	So was Perit Christian Chetcuti as he served as a site technical officer during the renovation of the Municipality offices.
<i>Asset under Construction included within Professional fees</i>				
28/2/2023	Med Design	Estimate of works	1,236.43	We understand that the professional fees of an Architect are considered somehow different from an Accountant, Auditor, Nurse or even a Priest. These services are given to entertain P.A premises of Rabat Local Council
7/3/2023	Med Design	Condition report, BMA, WMS & expenses including photos	1,516.30	re/construction projects. Thus may be considered as part of that particular project expense.
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	The dimming project is not one influencing the running costs of the electricity bills because Local Councils do not pay for the consumption
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				

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>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>of street lighting units. However, we tapped funds from ERA to save power from the grid and alleviate the country's energy problems and at the same time, educate the residents to follow suit.</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"> (a) Assets purchased in terms of IAS 16 Property, Plant and Equipment; (b) Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and (c) Assets under development and not yet brought to use. <p>More attention should be given by the accountants in charge and the Local Council officers for better classification of costs.</p>	<p>As discussed above, we are renovating, restoring and re-building and there is a very fine line between the revenue expenditure. A case in point are the lamp posts housing the dimming lamps. Indeed these are considered a P & 2 item like the road signs which we spend thousands to restore and re-order after spates of vandalism and even stealing of poles by people opting to re-utilize them in their private properties as drying clothes lines.</p>

<p>1.3. Fixed Assets Additions</p> <p>Weakness</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 additions:</p>	<p>We really had to do something fast to eliminate human excrement in front of the Public Convenience by disappointed people who pretend to find the place in the middle of the night.</p> <p>This applied to the collapsed bridge at Wied il-Bużbież who segregated and really isolated the l-Irtaħleb community . Rabat Local Council did not have time to issue quotations through the bureaucratic e-tenders system which takes ages to give chance to whoever is interested and then elevate by professionals and many times end at the Public Review (PCRB) who most of the time their decision would be of re-issuing the quote or tender.</p> <p>The Auditor's should have misted the fact that the playing field was awarded for a sum considerably higher than the €6,275.13. Indeed, no gym equipment was purchased but solely the children's playing equipment, including an Attention Deficiency Hyperactivity Disorder additional swing.</p>																
<table border="1"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Iron Gates for Public Convenience at College Street</td> <td>Jason Famugia</td> <td>10/8/2023</td> <td>4,776</td> </tr> <tr> <td>Construction of Bridge at Mtaħleb</td> <td>A&C</td> <td>29/5/2023</td> <td>5,000</td> </tr> <tr> <td>Resurfacing of Triq ir-Rebħa</td> <td>BI Contractors</td> <td>31/11/2023</td> <td>5,900</td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Iron Gates for Public Convenience at College Street	Jason Famugia	10/8/2023	4,776	Construction of Bridge at Mtaħleb	A&C	29/5/2023	5,000	Resurfacing of Triq ir-Rebħa	BI Contractors	31/11/2023	5,900	<p>The Local Council informed us that the above additions were matters of urgency.</p>
Detail	Supplier	Date	Amount														
Iron Gates for Public Convenience at College Street	Jason Famugia	10/8/2023	4,776														
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<p>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>	<p>The Auditor's should have misted the fact that the playing field was awarded for a sum considerably higher than the €6,275.13. Indeed, no gym equipment was purchased but solely the children's playing equipment, including an Attention Deficiency Hyperactivity Disorder additional swing.</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>Recommendation</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>The Mayor and the Executive Secretary are fully aware of the procurement guidelines but circumstances and bureaucracy dictate a very harsh reality which everybody is aware of. Planning Authority permits take long and we have to amend all the time. Tenders take long to evaluate by third parties. CRPD, Superintendence of Cultural Heritage and ER are simply looking into details to make things difficult and people cannot be ignored or else we continue receiving Court Summons to spend days at Law Courts since they pretend compensation for damages.</p>
<p>1.4. Capital Grants</p> <p>Weakness</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 & 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 'Progettù 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</p>	<p>As yet Rabat Local Council did not receive the funds. The project was inaugurated months ago.</p> <p>As yet we did not move into the newly restored premises. This is still considered as Accrued Income until it happens, and when it actually happens.</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>to receive the balance of € 107,000. Costs incurred for the said project exceeded the grant receivable. Nonetheless the Council did not account for 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>Rabat Local Council is one of the few Local Councils who managed to tap funds for the conservation of energy from the Energy and Water Agency with regards to the street lighting of luminaire located at the very Urban Conservation Area. Normally such grants are truly considered as Capital Grants for the year since this was received in 2013.</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>As soon as a Grant Agreement is signed between the Council and other authorities and agencies, and especially when it deals with capital costs, IAS 20 requirements are spurred.</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 on goingly and a report should be prepared regularly to assess the state of the assets and carry out the necessary impairment tests.</p>	<p>Lack of human resources and funds will deter any proposal set by Parker Russell Turner with regards to a "reassessment of all the assets held by the Council". This is simply a utopia as Rabat Local Council does not have any resources to dedicate. During the year under review, two clerks who we are not going to name them in this Public</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>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> <p>2. INVENTORY</p> <p><i>Weakness</i></p> <p>2.1. 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>Domain document, has vanished with no body making their jobs.</p> <p>We are very sorry for not involving you in the stock counts. However, this was done by a clerk and a messenger and it solely consists of publications. However, Rabat Local Council is inviting you and everybody else to verify the stocks by a fresh stock count.</p>
<p><i>Recommendation</i></p> <p>2.2. 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>Ironically the stock of books is located in the Local Council meeting room and can be revisited during every Local Council online meeting with the CCTV streaming camera.</p>
<p>3. CASH IN HAND AND AT BANK</p> <p>3.1. Treasury Management</p> <p><i>Weakness</i></p> <p>3.1.1. 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>3.1.2. Moreover, there is not a specific bank account which represents the balances received on behalf of LESA, Housing Authority, or the Lands</p>	<p>Every time we deposit custodial money into our bank account, we incur a 15c charge on every Bank Deposit envelope. These envelopes are allocated to a specific bank account which unfortunately is our savings account and thus used to pay bills and suppliers.</p> <p>As soon as the stock of Deposits Envelopes is exhausted Rabat Local Council is going to make contact with BOV to segregate these funds.</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>Department which should be refunded back. In fact, it was difficult to 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>With regards to the bank accounts interest we humbly ask how much is the interest of 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>Parker Russell Turner failed to note that Rabat Local Council has also a term deposit account. This is absolutely a sign of optimum treasury management procedures.</p> <p>Deposits into LESA, Housing Authority, Lands Department and Trades Department Accounts are made that very day these are received in our bank account solely by the Executive Secretary to ensure good management procedures. Indeed, we have never received a statement from the entities claiming that we owe them custodial money. Parker Russell Turner were not availed with any this statement and were at liberty to ask for same during audit through a circularisation letter.</p>
<p>3.2. Bank guarantees</p>	<p>The Planning Authority is one of the bureaucratic entities. It made us providing it</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><i>Weakness</i></p> <p>3.2.1. While testing other debtors, it was noted that the Council has a bank guarantee with the Charnain 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>with a Bank Guarantee to save guard a project that was finalised some 10 years ago with the conclusions and results. Bank of Valletta is now reluctant to release this bank guarantee without the Planning Authority's reasoned justification. And the matter persists. It is our money managed inappropriately by others'. Otherwise the approval would not have been given and people will remain struggling to St. Paul's Square.</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>3.3 Cash reconciliations</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>Rabat Local Council is doing regular cash counts and reconciliations and we have produced them to our auditors. The cash in hand has been complicated by the very banks themselves when they stopped receiving coins and fines still amount to €23,29 and Lands Department. Land leases often amount to 87c We have proper controls in place; the accountant is not bringing this issue to our attention.</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 2023

<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>	
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<p>4. DEBTORS</p> <p>4.1. LESA – 10% Administrative fee receivable</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>It is rather shameful for other entities not to settle their dues and Rabat Local Council deposits almost daily "their" money to the banks. NAO should draw the attention of these government entities as well. So must DLG does in order to keep proper and good governance. And what about introducing a 10% administrative fees to Lands Authority and Housing Authority?.</p> <p>We highly recommend that statements should be issued from the LES system and the fees be integrated on the same platform.</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>4.2. LES Debtor – Pre-regional</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><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 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.</p> <p>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.</p>	<p>Balances are captured from a system of IT which is not managed by Rabat Local Council. All critics are addressed to the "converted". I would gladly propose Parker Russell Turner's advise to LESA and LOQUS. Otherwise what are commissions paid for. With every pre-regional fine paid, they have a "commission". The IT program is solely utilised by Rabat Local Council. It is their system.</p>
<p><i>Recommendation</i></p> <p>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</p>	<p>Kindly be aware that we are not included in LES IT management. This critic year after year is frivolous. DLG & NAO should address these queries in conjunction with LES & LOQUS. DLG should get involved in all this asap.</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>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>5. ACCRUED INCOME</p> <p><i>Weakness</i></p> <p>5.1. 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"> • Financial assistance for the Christmas decorations received from the MTA amounting to € 5,000; • Financial assistance from the Regjun Punent amounting to € 746; • Financial assistance for World Clean up Campaign income of € 375; • 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 & 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; • Financial assistance for the refurbishment of the Council office at Municipju tar Rabat, 8, Triq l Isptar, 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; 	<p>Rabat Local Council tried to tap additional funds to make the expense of the Christmas street decorations more sustainable. Parker Russell Auditors should applaud the initiative taken by Rabat Local Council for seeking additional funding from the Malta Tourism Authority who happen to be under a different Ministry, from Regjun Punent iow the €746, the Local Councils' Division iow the €375, the €6,725 of Gnien Bir Ijzun refurbishment, and the €7,245 for the refurbishment of Rabat Local Council's offices and Gnien San Duminku under the Interreg Project funded by the Program Italia-Malta with the assistance of the Energy and Water Agency.</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

<ul style="list-style-type: none"> Accrued income was understated by € 15,328 pertaining to claims against salaries effected under The Interreg Project was carried out together with the Energy and Water Agency and other entities. Corresponding entry was passed against Income for the year. <p>Adjustments were affected at audit level to account for the above transactions.</p> <p><i>Recommendation</i></p> <p>5.2. 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>6. CREDITORS</p> <p>6.1. Creditors control</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>6.2. Long outstanding creditors</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>	<p>Rabat Local Council books are being kept on an accrual basis to reflect better the Accruals, Prepayments, Creditors and Debtors.</p>
<p>6.1. Creditors control</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>6.2. Long outstanding creditors</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>	<p>Rabat Local Council is currently investigating the difference of €21,122 emanating from the Creditor's list; audit amount as against the creditor control account.</p> <p>There is nothing wrong for a creditor to be on the list for more than one year, especially if there is no certification from the Contract</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

Creditor	€
<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 Estemi 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
	<u>293,325</u>
Total long outstanding	366,061

Manager, Project Manager, Architect, Engineer and other bodies such as the 'Malta Competition and Consumer Affairs Authority'. Rabat Local Council was in dispute with Bonnici Brothers and has a current Court Case with the ex-Contract Manager, Synthesis Management Services Limited.

Rabat Local Council had to take a loan to satisfy Arpa's decision that we were no longer entitled for an EU refund. This was made possible by the Director for Local Government with 0% interest, while we are still consuming important time with the Synthesis Management dispute at the Law Courts as we do not yet know the outcome.

It is to be noted that against the balance due to Bonnici Brothers and Synthesis 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>Rabat Local Council is regularly reviewing the creditor's balances during the meetings which we hold streamed on-line.</p>
<p>6.3. Suppliers' statements</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>This statement is all wrong. We as for statements to ensure good practices however, suppliers chosen on the cheapest compliant offers as we are bound to choose, have a weak back office and do not comply with our instructions and requests. We are agreeing with our Auditors that these statements will reduce discrepancies in creditor's balances as found by the auditors.</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>6.4. Creditor confirmations</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"> - 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. - 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'. <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>Since the accounts of Rabat Local Council are kept on an accrual basis and the services were rendered in December and also in January there should be a provision not a whole invoice that is still unpaid. The dimming system pertains the street lighting. It is an addendum to the actual asset we are told.</p> <p>Supplier reconciliations can only be carried out if the supplier produces a statement. We shall write off the difference for Agius Stone Works following a LC meeting decision.</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>Rabat Local Council reconciles creditors on an ongoing process. However, many suppliers do not care to issue a statement even though we advise them to do so.</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>6.5 Other Creditors</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>Rabat Local Council is re-producing an excel sheet showing that LESA, Housing Authority and Lands Creditors payable to the said third parties is taking place. One has to note that these three entities are not issuing non/confirmation of same amounts from their end.</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>BOV deposit envelopes are bought 15c each and are attached to the a/c MT78VALL2201300000014606795619. As soon as the stock of BOV envelopes are depleted, Rabat Local Council will open up another dedicated bank account for custodial moneys.</p>
<p>7. ACCRUALS AND PREPAYMENTS</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"> • Water and electricity accruals were Overstated by € 1,323. An adjustment was affected at audit level; • Performance bonus accruals were overstated by € 180. An adjustment was affected at audit level. 	<p>Rabat Local Council has investigated his electricity accrual which is now confirmed to have been overstated from our past.</p> <p>Rabat Local Council has investigated the performance bonus accrual and agrees with the</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>Auditors on the €180 difference.</p> <p>Invoices relating to goods or services are being given attention. With regards to a performance bonus, there is no invoice to input but a direct payment as per L.C decision with regards to the % given to the employee.</p>																					
<p>Rabat Local Council is sometimes finding it hard to determine from which Department or Authority funds are being received. Lack of details in the bank transaction is surely not assisting us to post these funds in the right nominal account. We try our best to catch up with the corresponding e-mails on the generic account to assist the accountant in the book-keeping and right accounting of amounts.</p>	<p>Recommendation</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>8. REVENUE</p> <p>8.1. General income</p> <p>Weakness</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="1" data-bbox="1101 963 1305 1991"> <thead> <tr> <th></th> <th>Cultural Activities</th> <th>Permits</th> <th>Trenching works</th> <th>Other income</th> </tr> </thead> <tbody> <tr> <td>As per Online System</td> <td>-</td> <td>17,269.33</td> <td>-</td> <td>-</td> </tr> <tr> <td>As per nominal ledger</td> <td>150.00</td> <td>44,798.76</td> <td>192.23</td> <td>2,073.12</td> </tr> <tr> <td>Difference</td> <td>(150.00)</td> <td>(27,529.43)</td> <td>(192.23)</td> <td>(2,073.12)</td> </tr> </tbody> </table>		Cultural Activities	Permits	Trenching works	Other income	As per Online System	-	17,269.33	-	-	As per nominal ledger	150.00	44,798.76	192.23	2,073.12	Difference	(150.00)	(27,529.43)	(192.23)	(2,073.12)
	Cultural Activities	Permits	Trenching works	Other income																	
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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>To date no complaint was received on the Council non-issuing of receipt. Receipts are being recorded accurately and in a timely manner.</p>
<p>8.2. LES Administration Fee</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>Rabat Local Council considers a €95 difference as not material. However, LES administrative fees are recorded monthly as a customer invoice and as a payment when funds are received.</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>The Council is reconciling income as recorded in conjunction to the LES Report 483.</p>

9. DEBIT TRANSACTIONS

FACES are the approved suppliers of bus

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

9.1. Procurement Guidelines	shelters in Malta as much as Gozo Chanel is the exclusive authority in charge of sea transport between Malta and Gozo.		
Weakness	Jake Borg was commissioned to reinforce electricity cabling for Enemalta in Triq ir-Rebħa and it did not make sense introducing outside supplier to work around projections, in the same project.		
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:	Rabat Plant is our hardware store and it does not make sense going to another locality with all the transport expenses incurred only to buy a screw!		
Detail	Supplier	Date	Amount
Other costs	The current contract for signs and road marking signed with Koptasin had to be by-passed as they took long to produce a single sign. For safety's sake we had to employ an additional contractor whom we find very efficient.		
Removal and re location of bus shelters	FACES	28/07/2023	3202.52
Scarrying and working around projections of Triq ir-Rebħa	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 inforata	SILVAN CARABOTT	30/09/2023	1106.40
	The late approval from the Local Council's Division for the hosting of the cultural event named Rabat Sacrum left us unable to honour the contractual obligations between RLC and DLG if a direct order was not issued for the churches decorations during this 1 st		

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	COMMUNICATIONS	27/09/2023	1416.00	edition of a large project that was successful.
Grass cutting: Triq id- Dwejra & Triq Wildlife	LUKE VELLA	15/06/2023	5044.50	A tender RLC/T/208/23 was issued on the 20 March 2023 with six bidders competing. Rabat Local Council deemed not proper to choose any of the 6 bidders (see attachment) who incidentally DNP is also one of the bidders. Luke Vella, Martin Cutajar, Dennis Calleja and Joseph Galea were hired on the merit that they were cognizant of safety issues in places where falls from end of cliffs & ditches (Dwejra) were imminent.
Grass cutting: Triq l- lsball & 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	The entertainment in Jum ir-Rabat has to be different from the previous years and this group is exclusively local talent. They provided a singer, keyboard player, Electric guitar, drums and a bass guitar. It was indeed a bargain of a quote.
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	
Rabat Sacrum costs				Perit Christian Chetcuti was hired by Rabat Local Council's Architect as a site technical officer to monitor the renovation works at the Municipality offices at 8, Triq l-Isptar. This new role in construction was introduced on the eve of contracting this tender following a number of tragic accidents by the Government.
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	1562.38	

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	<p>JF Security had to be contracted to guard the exhibits during the cultural activity Rabat Sacrum. It was the sole company that was accepted by the priests of St. Augustine Church when their antique artefacts, some in silver were demonstrated at their priory.</p> <p>Following the Covid pandemic the Our Lady of Sorrows celebrations took place by placing the statue hosted by Fratellanza tal-Gimgħa i-Kbira at Ta' Ġiežu Church in Piazza tal-Parroċċa in front of Basilica of St.Paul. This was a major milestone to celebrate together as one community in a large open space, by providing a P.A System that was large enough to boost sound everywhere around. Genaudio was the only one quoting despite efforts were made to obtain other quotes. Genaudio was also the sole supplier to quote for the diverse activities during the cultural event Rabat Sacrum indicate by Parker Russell Turner.</p> <p>Count Roger Band with their society situated in the Rabat core is surely the appropriate band and not to be replaced by for example the Mdina or Dingli band, as traditionally they played in Rabat for decades.</p>
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	
<p>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:</p>				
Detail	Supplier	Date	Amount	

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>Legal services - Mandat ta' Sekwestru - Bonnici Bros</p>	<p>Richard Sladden</p>	<p>19/12/2023</p>	<p>2191.58</p>	<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>Sanitech Premier's mobile toilets are supreme to other competitors as these are supported with internal light generated from a P.V panel situated on top of the structure. In the event of choosing other mobile toilets, RLC would risk a lot of spillage of drain beside the mobile toilet core facilities.</p> <p>Rabat Local Council does not want to change the Lawyer since he has driven us out of troubled waters concerning a lot of disputes which would have made us pay thousands of Euros. We had long going disputes with our ex-contract manager and it was him that has been showing in Law Courts as the case got complicated involving another case with our handyman as it ensued.</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>9.2. Omitted Debit Transactions</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> <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"> - Invoices issued by Mica Med Ltd relating to 'Repairs street upkeep' of € 27,295 and pertaining to years 2020 to 2022; - Invoices issued by Mica Med Ltd dated 2022 of € 8896.61 relating to 'Repair and upkeep - Plant and Equipment'; - Invoices pertaining to glass collection pertaining to 2022 and amounting to € 5,664. <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</p>	<p>The street Christmas decorations if 2023 lasted until the feast of the Epiphany in 2024. It was not an omission absolutely.</p> <p>Nonetheless R.L.C can easily compare to year 2022 since the Council kept adding other roads in the town centre to benefit mostly the owners of restaurants and other economic entities during the shoulder touristic months.</p> <p>MicaMed is one of Rabat Local Council's heavy suppliers and unfortunately does not issue invoices on time.</p> <p>The glass collection problem new settled itself by the taking of our responsibility from the Local Council to the Regjun Pudent</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</p>	<p>During the past the Executive Secretary has worked hand in hand with Romina Perici's accounting firm and will have the same</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>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>relationship with Mr. Paul Bugeja.</p>
<p>9.3. Rent expense</p> <p>Weakness</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 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.</p> <p>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:</p> <ul style="list-style-type: none"> - 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 	<p>Rabat Local Council is against the "modified opinion" issued by Parker Russell with regards to the rent expense. Indeed we object for this arbitrary decision taken after field work was concluded.</p> <p>Everybody knows that Rabat is a difficult place to purchase or rent. The centre of Rabat is even more difficult. However, we had to take drastic actions. The rent of the garage at Triq Mons. Depiro was terminated. The rent for the two apartments at 30 & 34, Inguanez Street has increased as we are now paying for the more garage space just below (basement) of the said apartments, mainly to charge the electric car and passenger's van and for the property at 7, Hospital Street RLC was not charged more:</p> <p>Contract dated 1.6.21</p> <p>3) "Versu l-kera ta' erba' mitt Ewro fix-xahar, pagabbli b'sitt xhur bil-quddiem Għall-ewwel sentejn. Wara l-ewwel sentejn ikunu bir-rata hawn stabbilita, fl-waqt illi mill-</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>has been effective as from 1 January 2023 without being supported by an updated written agreement.</p> <p><i>Recommendation</i></p> <p>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> <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><i>Bidu taf-tielet sena sat-tmiem tal-ħames sena il-kera tkun ta' erba' mija u tmenin fix-xahar.</i>"</p> <p>Rent agreements are soon to be changed although VAT Receipts are not issued on rent in accordance with law.</p>
<p>9.4. Contracts</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 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>Auditors said it all: "Stephen Bugeja has provided an impeccable service during the past years and the prices being charged is much lower than the market rates". He also does non-paid overtime when there is a late activity and has to extend the public convenience opening hours.</p> <p>Rabat Local Council has decorated as an addition to the contract roads, Triq Santa Rita, Triq il-Kulleġġ, Triq Sant'Agatha, Triq il-Katakombi, the façade of the Civic Centre, Baħrija Square and others.</p>

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<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>The tender was awarded to Paul Bugeja and Romina Perici is phasing out.</p>
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<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>One needs to be aware that issuing a tender now got more complex through the epps online system. We are paying each and every evaluator including staff overtime and it is taking us ages to assess a simple tender. Bureaucracy is sometimes working against us and we have noticed a rise of appeals from Bidders which we have to fight at the PCRB.</p>
<p>10. PAYROLL AND HUMAN RESOURCES</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>	<p>Ms. Yvonne Spiteri was seconded and we were never availed from her contract.</p> <p>One has to note that differently from all Local</p>

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<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>Council staff the performance bonus of the Executive Secretary has to be approved by the LCD. The Executive Secretary was paid for the performance bonus on</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>All Local Council staff have entered in an agreement with R.L.C, except for Ms. Yvonne Spiteri who was hired to the Social Services Department and considering her position has worked mainly from home.</p>
<p>11. INFORMATION PROVIDED ON THE PORTAL</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"> • Unaudited financial statements of the year ended 31 December 2023; • Audited financial statements for the year ended 31 December 2022; • Annual budgets for the years 2023 and 2024; 	<p>With all the changes through the years made in the Local Council's Website, we had to re-upload tons of information to reflect all this. These are exhausting all our back office staff with trivial things and not focusing on what really matters. There are more persons at the LCD chasing us for not recording the meetings not being on-line and many petty things that we are automatically deviated from doing our</p>

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<p>work properly. Until now we have produced all Annual Budgets, Business Plan, Management Letter, Replies to Management Letters, Local Council Minutes, which also the Auditors had to look at pre-audit field work and apart from this a number L.C.D personnel require same schedule of payments modified to their liking to enable them control R.L.C remotely by asking further questions on period basis.</p>	<ul style="list-style-type: none"> • Management letter and the Council's replies for the years ended 31 December 2021 and 2022; • Quarterly reports from April to June and October to December for the year 2022, and all quarterly reports for the year 2023. • No uploads were effected for sections Business Plans. • 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. • 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. <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>From our part we are uploading them however</p>	

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	with the introduction of the portal, we are missing documents which were uploaded, for some reason.
<p>12. ACCOUNTING SYSTEM</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"> • Capital grants were not reflected correctly in the accounting system; • Deferred and accrued income are not being completely reflected; • Adjustments had to be reflected to account for Accruals and prepayment which were omitted from the accounting system; • Other adjustment had to be reflected to account for omitted capital costs and administrative expenditure; • Reclassifications were done at audit level to record capital costs which were previously disclosed as administrative costs; • Various reclassifications between the administrative expenses and income have been affected at audit level following audit testing and scrutinization of the nominal ledger; • Adjustments were also passed to reverse double postings of sales and purchases invoices. 	<p>Capital Grants are continuously entered in SAGE Line 50, Deferred Income is also inputted, Accrued Income with regards the new projects is also registered prepayments especially with the qualification from a new scheme are also noted, Capital Costs and administrative expenses are also entertained and we are making our utmost to reduce the re-classifications in the nominal ledger and eliminate double posting.</p> <p>Rabat Local Council is making it's utmost 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

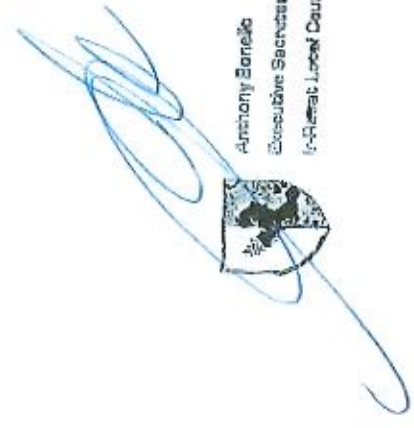
<p>Many of the above weaknesses will provide incomplete and limited management information to the Council and will impact the presentation of the accounts. Lack of information will distort financial results and will not provide management with accurate financial information in order to base its operational decisions.</p>	<p>provide the accountant with timely information to make our book keeping as informative as possible and to ensure sound financial management.</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>It is a requirement for our accountant to provide periodic reviews for the R.L.C to take informative decisions before embarking into additional projects which can be postponed.</p>
<p>13. PRESENTATION OF FINANCIAL STATEMENTS</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>RLC's financial statements needed only a few adjustments. IFRS's were respected and the statements were updated when discussed with Parker Russell Auditors.</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>	<p>The Financial statements were prepared in accordance with the IFRS's. Care is being taken, not to exclude details such as future contracts.</p>
<p>14. CONCLUSIONS</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>14. CONCLUSIONS</p> <p>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.</p> <p>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.</p>	<p>Checks and balances, controls and informative decisions are being taken. However, re-classifications are to be made wherever there is a management letter point or observation.</p> <p>Rabat Local Council thanks Parker Russell for the observations that resulted through this yearly exercise. We do need assistance to identify spots where there is no sound management. Weaknesses shall be analysed to follow up an action plan that already has been established.</p>
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Alexander Cratus
Mayer
Rabat Local Council




Anthony Bonello
Executive Secretary
Rabat Local Council

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