

The Members
Rabat Local Council
34, Triq Inguanez
Rabat
Malta

11 June 2025

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 2024. 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 2024, 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 2024, 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 4 to 9. Similar deficiencies were also noted on Grants pertaining to Property, Plant and Equipment as explained on pages 9 and 12.

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. The Local Council took action and carried out a cash reconciliation at year end.

iii. Inventories

The Local Council took action, carried out a physical stock count and prepared a stock list of books held at year end.

iv. Trade and other receivables

We have once again noted shortcomings in trade receivables, as well as the pre-regional LES debtors as per note 4 on page 15 and 16.

Furthermore, we have also once again noted various inaccuracies in the accounting of closing accrued income as per note 5 on pages 16 and 17.

v. Trade and other payables

We are pleased to note the discrepancies between the creditors lists and creditors control have been rectified during the year under review. Furthermore, we have noted that various suppliers' reconciliations were carried out and the Local Council exerted various efforts to attain supplier statements from the major suppliers.

We have however, once again encountered various shortcoming the long outstanding other creditors as per note 6 on page 18, and creditors reconciliations on page 19.

We are pleased to confirm that no inaccuracies in the accounting of closing accruals of operational and administrative costs were noted, except for the accruals for the New Collective Agreement as per recent workings submitted, as per note 7 on page 22.

vi. Income

We have once again noted shortcomings in general income as per note 8 on page 23.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

vii. 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 and expired contracts as denoted in note 9 on pages 24 to 29.

In relation to payroll costs, minor shortcomings were noted in previous year and in the year under review as denoted in note 10 on page 29.

viii. Accounting system

Improvements were noted during 2024 in relation to the updating of various weaknesses which were encountered in the accounting system of the Local Council in previous year which necessitated various audit adjustments and reclassification.

ix. Information available on the portal

The Local Council took action and uploaded missing publications on the online portal.

x. Financial statements presentation

We have once again noted shortcomings in the presentation of the unaudited financial statements, as per note 11 on page 30.

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. *INVENTORIES*
3. *CASH IN HAND AND AT BANK*
4. *DEBTORS*
5. *ACCRUED INCOME*
6. *CREDITORS*
7. *ACCRUALS*
8. *REVENUE*
9. *DEBIT TRANSACTIONS*
10. *PAYROLL AND HUMAN RESOURCES*
11. *PRESENTATION OF FINANCIAL STATEMENTS*
12. *FINANCIAL INDICATORS*
13. *CONCLUSIONS*

FINDINGS ARISING FROM 2024 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 € 22,658, after excluding the assets under construction. The Local Council has taken action this year and effected various adjustments to the fixed asset register during 2024. In fact, discrepancy has decreased substantially from € 151,764 in previous year to € 22,658, which discrepancy is still unexplained.</p>	<p>Rabat Local Council is striving hard to reduce the variances between the accounts and the fixed asset register. We have embarked on an exercise with regards to the fixed assets to make the required adjustments and integrate all our assets within the Fixed Asset Module.</p>
<p><i>Recommendation</i></p> <p>1.1.2. 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</p>	<p>Rabat Local Council fully understands the fact that the fixed asset register needs to be updated and</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>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>be kept on an appropriate software synchronised with the accounting system.</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 amounting to € 62,312 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 € 908 which was also adjusted for at audit level.</p> <table border="1" data-bbox="165 1167 946 1505"> <thead> <tr> <th>Date</th> <th>Supplier</th> <th>Details</th> <th>Eur</th> </tr> </thead> <tbody> <tr> <td colspan="4"><i>Urban Improvements included within Repairs and upkeep – Street Lighting</i></td> </tr> <tr> <td>28/5/2024</td> <td>Mica Med Ltd</td> <td>Bases for benches - Gnien San Duminku</td> <td>8295.40</td> </tr> <tr> <td>9/7/2024</td> <td>Mica Med Ltd</td> <td>RBT/T/217/23- Electrical installation works – Gnien San Duminku</td> <td>10091.28</td> </tr> <tr> <td>28/5/2024</td> <td>Mica Med Ltd</td> <td>Polycarbonate boxes to house street lighting supply</td> <td>5,681.70</td> </tr> </tbody> </table>	Date	Supplier	Details	Eur	<i>Urban Improvements included within Repairs and upkeep – Street Lighting</i>				28/5/2024	Mica Med Ltd	Bases for benches - Gnien San Duminku	8295.40	9/7/2024	Mica Med Ltd	RBT/T/217/23- Electrical installation works – Gnien San Duminku	10091.28	28/5/2024	Mica Med Ltd	Polycarbonate boxes to house street lighting supply	5,681.70	<p>Rabat Local Council has no objection for the Auditors to capitalise the expenses amounting €62,312.</p> <p>The street furniture installation works on the park benches of the St Domenic Garden, entailed so foundations for the benches. These were indeed pivoted together with the canopy and should we did not do these basis there was the risk that they will topple over. The works had to be done by the supplier Mica Med Ltd. The electrical installation was also part and parcel of the illumination and lighting system. These total cut off illumination to be powered from the polycarbonate boxes housing the street lighting supply.</p>
Date	Supplier	Details	Eur																		
<i>Urban Improvements included within Repairs and upkeep – Street Lighting</i>																					
28/5/2024	Mica Med Ltd	Bases for benches - Gnien San Duminku	8295.40																		
9/7/2024	Mica Med Ltd	RBT/T/217/23- Electrical installation works – Gnien San Duminku	10091.28																		
28/5/2024	Mica Med Ltd	Polycarbonate boxes to house street lighting supply	5,681.70																		

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

1/1/2024	Mica Med Ltd	Remove old benches and instal new benches	4,028.52	The removal of the old benches was also envisaged before we started as soon as the garden was well hoarded for safety.
<i>Asset under Construction included within Repairs and upkeep - Street Lighting</i>				
25/3/2024	Mica Med Ltd	Lights from Electra – Local Council offices	6,702.42	
<i>Urban Improvements included within Contractual Services – Parks and Gardens</i>				
10/7/2024	IO Projects	Construction of subframe fixed, Treated wood, PVC roofing	5,298.20	The new lights for the Municipality bought from Electra had nothing to do with Mica Med Ltd. The light units were chosen by Bold Design Ltd, our designer.
<i>Urban Improvements included within Professional fees</i>				
13/11/2024	Med Design	Gnien San Duminku	12,194.12	The project refers to St Domenic Square pump room. This had to be erected in wood and cladd with vegetation in order not to be an eyesore with the convent of St Domenic's Our Lady of Grotto the background.
19/1/2024	Marco Garziani	Gnien San Duminku	1,500	
8/4/2024	Marco Garziani	Gnien San Duminku	1,725	
10/4/2024	GCS	Gnien San Duminku	4,012	
<i>Asset In Progress included within Professional fees</i>				
30/5/2024	Med Design	Local Council office	2,783.7	The figure is the Architect Professional fee which in our opinion can also be capitalised on this project. Mr Marco Graziani was the person entrusted with the Interreg Italia Malta Financial Inputter whilst another tender awarded to Mr

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

	<p>Gravina under GCS Ltd also relates to the same project.</p> <p>The works on the Refurbishment of the Rabat Local Council Offices resumed with evident intensity during the 2024. The professional fees emanate from a current tender signed years ear with Med Design.</p>
<p><i>Recommendation</i></p> <p>1.2.2. We recommend that more attention is affected in the updating of accounting records to distinguish properly between revenue expenditure and capital expenditure. Further, we recommendation 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>Rabat Local Council is doing its utmost to proper account for revenue and capital expenditure. We are briefing our accountant in charge in order to compliant with the IFRS 16 especially with regard to the leasing of premises.</p>
<p>1.3. Fixed Assets Additions</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<i>Weakness</i>			
<p>1.3.1. The Local Council issued a tender for the restoration of stone statues on pedestals, with work commencing during 2024. By year-end, restoration of three out of the eight statues had been completed. However, the costs incurred related to the completed works which were not initially capitalised. An adjustment was therefore made to account for accrued capital costs amounting to € 31,127.</p>			
<p>1.3.2. During our audit fieldwork of the fixed assets additions, some irregularities were noted whereby the Local Council did not obtain any quotations for the following additions:</p>			
Detail	Supplier	Date	Amount
Marble plaques - Dar ir-Rabtin, Sindki	Carmel Galea	22/10/2024	3365.36
Curtains	JB Stores	21/10/2024	2533.41
works on RLC well	Jean Claude Zahra	16/11/2024	2360.00
<p>A tender was specifically issued for the restoration of eight stone statues on pedestal situated at Triq Santu Wistin, Triq San Frangisk and Triq San Pawl. By the end of year 2024 the first three in Santu Wistin were concluded and works were ongoing on the fourth statue situated at the same site.</p> <p>The marble plaques showing the official opening of the refurbished Rabat Local Council by the Hon. Prime Minister Robert Abela together with the Mayor, Mr Sandro Craus had to be purchased from the same supplier having the same marble that engraved others that were installed in the local council building during the past.</p> <p>The curtains with the colours matching the stone walls in the Municipality that best fit in the premises according to our staff (chosen from a number of samples) were the JB Stores ones.</p> <p>Nobody had the machinery and was equipped better than Jean Claude Zahra. Thus he was entrusted to do the job since a lot of bulky rubble dropped into it during the construction of the passenger lift adjacent to the back yard.</p>			

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>Tender in excess of budgets</p> <p>1.3.3. It was noted that tender for the refurbishment of the New Local Council offices was awarded for € 375,236 excluding VAT, which was then increased to € 525,528 excluding VAT, in view of abnormal increase in prices. Nonetheless, it was noted that the actual costs incurred and charged by the contractor Cieffe Projects amounted to € 1,073,234 excluding VAT, which is double the amounts contracted for.</p>	<p>The difference of the refurbishment of the New Local Council Offices from the awarded tender (the actual price emanated from the hidden non-sound beams, ceilings, walls and structural issues) that were not provided for in the tender. We are lucky that nobody was hurt and vacated the premises on time. Part of the premises were in imminent of collapsing with the fear that it would have incurred damages to third parties touching our premises.</p>
<p><i>Recommendation</i></p> <p>1.3.4. In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government, the Council should obtain at least three signed quotations for purchases exceeding € 50 up to € 5,000 unless, for purchases exceeding € 50 but not € 500, a direct order approved by the Executive Secretary is issued. Furthermore, for any purchases exceeding € 5,000 but not exceeding € 10,000, a quotation through the EPPS should be issued. More scrutiny should be effected on the tender processing and the project funding.</p>	<p>Nobody was going to make additional works for less price if the tender was awarded to Cieffe. Please note that onto the evaluation board of the tender there were five voting members, chairman and secretary and took ages to conclude due to the clarifications that had to be answered by so many bidders. Cieffe Ltd was the cheapest compliant.</p>
<p>1.4. Capital Grants</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 2024

<p>1.4.1. 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, out of which the Council is still owed an amount of € 3,716. The total grant had already been accounted for with Capital Grants in Property, Plant and Equipment in previous year. An adjustment had to be passed at audit level to reinstate the amount receivable of € 3,716, which was incorrectly reversed.</p>	<p>Progetti Kapitali's DLG scheme was a relief to mitigate the additional costs incurred for the refurbishment of the Rabat Local Council. This scheme was beneficial to conclude the works and reduce the period of entering into a further extension with regards to the rented premises that we had to operate from, that is 30 and 34 Inguanez Street. The reversal of the €3,716 was inevitable to properly adjust for the amounts receivable.</p>
<p>1.4.2. During 2022, the Council entered into an agreement for funding in relation to project, <i>Manutenzjoni u Sostenn ta' Progetti Infrastrutturali Magguri</i>, for lighting in Vjal Santu Wistin. The Council received € 42,953 was incorrectly deferred to next year. The project has been partly completed at year end, and the grant received exceeded the costs incurred on the project by € 6,656. Adjustments were affected to account for the proportion of the project which was completed by year end against Capital Grants in Property, Plant and Equipment. Furthermore, we have noted that the said grant of € 36,297 was completely excluded from the Fixed Asset Register. Consequently, depreciation has been overstated by € 36,297, which was adjusted for at audit level.</p>	<p>Rabat Local Council proudly declares that it had concluded the <i>Manutenzjoni u Sostenn ta' Progetti Infrastrutturali Magguri</i> for the lighting of not Vjal Santu Wistin, but for Pjazza Anton Agius parking Area with the replacement of the lighting structures situated at the entrance of Rabat, welcoming thousands of visitors coming from the Mdina area at the side. We agreed on the figures mentioned by Parker Russell Turner during the audit visits.</p>
<p>1.4.3. The Council had been approved funding in relation to the passenger lift at Local Council premises under scheme for <i>Accessibilita u Mobilita</i>. The lift has been installed by year-end, and related costs have been incurred. Nonetheless, part of the grant amounting to € 29,347 was incorrectly</p>	<p>The installation of a passenger lift through the <i>Accessibilita u Mobilita</i> scheme was beneficial for us to make our premises accessible to all. The amount of €29,347 was correctly adjusted and we had no objection at all.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>reflected as deferred income. An audit adjustment was reflected to reverse the deferred income against Capital Grants for the year.</p>	<p>The issue was mentioned already in 1.3.1</p>
<p>1.4.4. The Local Council was approved funding of €44,788 for the restoration of stone statues on pedestals. By the end of 2024, only three out of the eight statues included in the project have been completed. The full grant amount was initially recorded under Property, Plant and Equipment. Consequently, an audit adjustment was made to reverse € 27,545, correcting the overstated amount of accrued grant.</p>	<p>The works truly were almost completely done but there were some small snags that had to be sorted out. However, Rabat Local Council does not have any objection for the overstated adjustment.</p>
<p>1.4.5. In 2021, the Local Council entered into an agreement under the ERDF collaboration programme <i>Interreg</i>, through which it was approved funding amounting to € 449,650. During 2023, grants totalling € 328,412 were recognised against project-related costs, supported by documentation verifying capital asset expenditures incurred by the Local Council.</p>	<p>One has to learn that the scope of the program was not solely the refurbishment of the public garden at St Domenic's Square. It was first of all an ongoing exchange between the University of Catania who were the leading partners (roof garden on top of the University), The Energy and Water Agency (Roof Garden on top of Ghajn Qajjet Rabat, Water Conservation Uni) and other localities in Catania. The extensive time that was consumed with Planning Authority is noticeable.</p>
<p>An additional claim of € 93,889, primarily related to payroll and administrative costs, was submitted by the Council. Although this claim was reviewed and confirmed by the first-level controller, the supporting documentation was deemed insufficient to determine the extent of work attributable to the project. As a result, the grant related to this portion will not be recognised until there is reasonable assurance that the full claim will be received by the Local Council. Accordingly, an adjustment was made to reverse overstated capital grants amounting to € 136,566.</p>	<p>The application PA 8463/21 was submitted on the 21 September 2021 with 73 submissions until the 8th October 2024. This entailed a lot of back office work which was translated in office work from our part. Indeed, the Executive Secretary and the Principal had to dedicate all these extra hours to honour the contract signed with other entities.</p>
<p>1.4.6. An analysis of grants received in relation to the Local Council's new offices, compared to the project costs incurred, revealed that the grants received by</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>year-end exceeded the capital expenditure by € 22,170. Consequently, this excess grant amount was deferred to the following year to be offset against additional capital costs incurred on the Local Council offices during 2025.</p>	
<p><i>Recommendation</i></p> <p>1.4.7. 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>1.4.8. We also recommend that the Local Council strengthens its documentation and time-tracking procedures for grant-funded projects, particularly in relation to payroll and administrative allocations. Comprehensive and verifiable records are essential to support grant claims and ensure timely recognition of funding. Further, more project reports and technical reports should be prepared by technical managers, such as architects highlighting the deviations and approvals at Council Meetings.</p> <p>Enhanced internal controls in this area will also help prevent potential disallowances and improve audit readiness.</p>	<p>Rabat Local Council is doing it's best to properly classify the Grants and ensure Matching Concept is being adhered to. One may understand that depreciation is taking a good portion of the P & L although it is an intangible expense.</p> <p>Back office work is really and truly being made by one full time administration officer and another clerk working on reduced hours. We wish we have more resources especially with the resignation of one of our clerks that had been in office for a number of years. With regards to deviations and Council meeting approvals, we normally bring any extra expenses on the Agenda of Rabat Local Council.</p>
<p><i>Other observations</i></p> <p>1.4.9. 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</p>	<p>With regards to the assets we do normally this reassessment every quarter. This is also discussed during meetings during the approval of 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 2024

<p>be prepared regularly to assess the state of the assets and carry out the necessary impairment tests.</p> <p>1.4.10. 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>quarterly financial reports. Impairment tests are being conducted quite often.</p> <p>Commitment notes were submitted in the financial statements. These emanate from contracts that are awarded and we are aware of.</p>
<p>2. INVENTORIES</p> <p><i>Observation & Weakness</i></p> <p>2.1. The Local Council took action, following previous year management letter, and carried out a physical stock count to confirm stock of books held at year end. Nonetheless, an error was found in the valuation of the stock at year end and an adjustment of € 206 was reflected at audit level.</p>	<p>It is glad to note Parker Russell Turner's positive reactive observations with regards to <i>the action</i> taken by Rabat Local Council in his regards. Rabat Local Council is doing stock counts to ensure that no other adjustments are made in the future.</p>
<p><i>Recommendation</i></p> <p>2.2. We recommend that the Council ensures that stock lists are updated regularly and valued on the basis of accounting policies adopted by the Local Council.</p>	<p>The stock list is being regularly updated following the stock counts and we have a messenger whose task list incorporates the stock counts.</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 € 789,502 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 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 and discrepancies still exist.</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, or brought to better use.</p>	<p>Rabat Local Council has segregated the funds due to other entities and this control account is working perfectly. All monies due to all these entities are being deposited into the BOV ac 40011047261 whilst the funds collected from by laws such as the permits of cranes, skips, stalls activities etc are being deposited into the BOV account 14606795019.</p> <p>The amounts are being reconciled every month and an excel sheet was provided to our auditor in this respect.</p> <p>With regards to bank interest Rabat Local Council has absolutely no control. Saving money into a fixed asset account is not that advisable since projects' payment are normally affected at the end after certifications by architect and other professional staff and money will be needed before the fixed bank account expiry date.</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 2024

<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. Proper budgets need to be prepared distinguishing the capital budgets from the operational ones.</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>Budgets are continuously being revised. Rabat Local Council has a sound financial management of public funds. This distinction between capital and operational budget is being made.</p> <p>This account already exists. Banks are making it difficult to even open another account. We believe more in controls through checks and balances rather than cosmetic actions/changes.</p>
<p>3.2. Bank guarantees</p> <p><i>Weakness</i></p> <p>3.2.1. While testing other debtors, it was noted that the Council has a bank guarantee with the Charmain Planning Authority for the St. Paul's Square. However, while performing our testing to the BOV bank letter, it was noted that the guarantee in the accounts varies by an additional € 500 than the amount listed in the BOV bank letter.</p>	<p>This guarantee has been made many years ago and we are communicating with the bank to retrieve the funds.</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 2024

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>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 € 9,556. As per the Local Council's books of accounts, there are still outstanding invoices from December 2021, June 2022, October 2022, December 2022, as well as ten months from 2023, amounting to € 5,622.</p>	<p>Reconciliations by LESA were never disclosed, is July 2025 and we received an e-mail from LESA with outstanding balances which are now being reconciliated.</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>Rabat Local Council reviews the outstanding amounts as frequently as possible. With regard doubtful debts, we are trying to avoid this situation, however if these are in doubt, Rabat Local Council discusses them and take appropriate action.</p>
<p>4.2. LES Debtor – Pre-regional</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 2024

<p>4.2.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 179,680 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, which reflected an increase of € 2,034, rather than a decrease.</p>	<p>The Debtor Balances to LES reports mentioned are not managed by Rabat Local Council. These are the property of Loqus system which was not engaged by Rabat Local Council. It is surely a mystery how these are increasing rather than decreasing, but for the last decades we had to abide by rules and consider these reports generated as correct.</p>
<p><i>Recommendation</i></p> <p>4.2.2. We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences with the LES system. In addition, an exercise needs to be carried out on the LES Pre-Regional contraventions to understand whether such amounts are recoverable or otherwise. If these amounts are irrecoverable, we propose that the Council should consider reversing the provision and accounting for the amounts as 'bad debts write-offs'. A disclosure note is also required to bring this matter to the attention of the Council, and every effort should be made to get the necessary directions from the Department of Local Government.</p>	<p>We regularly reconcile the amounts. There is not much to do about the LES Pre-Regional contraventions. The Regions were engaged into this many years ago and we are seriously considering the write offs as disclosed by Parke Russell Turner. This is not our situation. This is a national situation and the Department of Local Government should take the National Audit Office recommendation to solve the long dragging problem.</p>
<p>5. ACCRUED INCOME</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 2024

<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 from the Regjun Punent amounting to € 10,353 was overstated in the Local Council's books of account, in view of claims which were not accepted by Regjun Punent particularly in relation to the Cultural Schemes; • Financial assistance for Lamp posts in Vjal Santu Wistin, funded under Scheme, <i>Manutenzjoni u Sostenn ta Progetti Infrastrutturali Magguri</i>, was understated by € 14,318. The project costs have been incurred during 2024, 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 Eur 3,717. Corresponding entry was passed against capital grant as per note 1.4.2 above; • Financial assistance for the restoration of statues was overstated by € 27,545. Corresponding entry was passed against capital grant as per note 1.4.3 above. 	<p>Rabat Local Council has not entered into an agreement with Regjun Punent for the allocation of this funding. However, a reimbursement was given for cultural initiatives taken by the local council during the year. We have publicly thank them for this recognition from their part.</p> <p>The understated amount of €14,318.00 refer to DLG scheme called <i>Manutenzjoni u Sostenn ta Progetti Infrastrutturali Magguri</i> for which we had applied to do the project in Vjal Santu Wistin. The project never materialised. However funds were allocated to another lighting project in Wesghet Anton Agius' Car park.</p> <p>With regards to the provision made towards the scheme managed by DLG, the amount of €3,717.00 were understated. During the year in review the Council managed to obtain additional funding to refurbish the premises at 8 Triq l-Isptar with an investment over €1 million.</p> <p>This was a project with the Planning Authority. The Development Fund was directed our way to finance the restoration of eight stone statues or pedestal located in a religious tourism area just outside Mdina. It was surely a pleasure obtainin</p>
--	---

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>Adjustments were affected at audit level to account for the above transactions.</p>	<p>fund after the arduous task of publishing an ad hoc tender, evaluating it and keeping touch with our restorers including entities such as the Superintendent of Cultural Heritage.</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>Rabat Local Council's books are not kept on cash basis.</p>														
<p>6. CREDITORS</p> <p>6.1. Long outstanding creditors</p> <p><i>Weakness</i></p> <p>6.1.1. During our audit testing, we noted that the Council's creditor list includes the following balances which have been outstanding for more than one year:</p> <table border="1" data-bbox="223 1344 949 1529"> <thead> <tr> <th>Creditor</th> <th>€</th> </tr> </thead> <tbody> <tr> <td><i>Creditors which could not be verified:</i></td> <td></td> </tr> <tr> <td>Agius Stone Works</td> <td>13,634</td> </tr> <tr> <td>Carmelo Gauci</td> <td>28,704</td> </tr> <tr> <td>Koperattiva tat-Tabelli u Sinjali</td> <td>1,540</td> </tr> <tr> <td>Kumitat Festi Esterni Corps Domini</td> <td>300</td> </tr> <tr> <td>Terracore Co Ltd</td> <td>590</td> </tr> </tbody> </table>	Creditor	€	<i>Creditors which could not be verified:</i>		Agius Stone Works	13,634	Carmelo Gauci	28,704	Koperattiva tat-Tabelli u Sinjali	1,540	Kumitat Festi Esterni Corps Domini	300	Terracore Co Ltd	590	<p>The long outstanding debtors depicted by Park Russell Turner, mentions</p> <p>(i) Agius Stone Works. The works were partially accepted in the final report by our architect/contract Manager. We cannot proceed and go against reports by professionals. The amounts are to be minuted since the works on the Niche of Mount Carmel Statues were concluded years ago.</p>
Creditor	€														
<i>Creditors which could not be verified:</i>															
Agius Stone Works	13,634														
Carmelo Gauci	28,704														
Koperattiva tat-Tabelli u Sinjali	1,540														
Kumitat Festi Esterni Corps Domini	300														
Terracore Co Ltd	590														

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Synthesis Management Services Limited</td> <td style="text-align: right;">6,067</td> </tr> <tr> <td>Total long outstanding</td> <td style="text-align: right;">50,835</td> </tr> </table> <p>The above balances have been denoted in previous year management letter. It is to be noted that in previous year, there were various other long outstanding creditors which were reconciled during 2024.</p> <p>In relation to the balance of Mr Carmelo Gauci, it is to be noted that as per suppliers' statement the balance is not owed by the Local Council and this needs to be investigated.</p> <p>In relation to balance with Agius Stone Works, it is to be noted that the Local Council intends to take further action to reduce the balance in view of the fact that the work has not been certified. This needs to be minuted in the Local Council meetings and reverted to Legal Counsel.</p> <p>Further, it is to be noted that against the balance due to Sythesis Management Services Limited, the company was served with a garnishee order during the previous year. Corresponding amounts are disclosed with bank balances held with the Courts of Malta until the outcome of the claim is determined.</p>	Synthesis Management Services Limited	6,067	Total long outstanding	50,835	<p>(ii) Carmelo Gauci had a running contract a was expired. Much of the amounts are due to direct orders given in order to prune trees that are making poor road visibility. However, there were some works billed Carmelo Gauci and another supplier Kenneth Bugeja of Paradiso Gardens.</p> <p>(iii) Koperattiva Tabelli u Sinjali, (iv) Kumitat Festi Esterni Corpus Domini and (v) Terracore co Ltd are not even providing with statements.</p> <p>(vi) Rabat Local Council is contesting Synthesis Management Services Ltd's amounts at the Law Courts. The case is being heard and the Mayor and Executive Secretary, staff and councillors testified already.</p>
Synthesis Management Services Limited	6,067				
Total long outstanding	50,835				
<p><i>Recommendation</i></p> <p>6.1.2. We recommend that the Council regularly reviews its outstanding creditor balances to ensure timely settlement. Additionally, any decisions or discussions concerning these balances should be formally documented in</p>	<p>Rabat Local Council is constantly reviewing its outstanding creditors after discussing these wo</p>				

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>the Council's meeting minutes. Pending amounts, as well as those under dispute, should be addressed promptly through the Council's legal counsel. It is not advisable for such balances to be carried forward from year to year without appropriate action.</p>	<p>and services that are delivered during local council meetings.</p> <p>We shall try to sort these long standing creditor in year 2025.</p>															
<p>6.2. Creditor confirmations</p> <p><i>Observation and Weakness</i></p> <p>6.2.1. In response to previous recommendations outlined in the audit management letter, the Local Council undertook various reconciliations with major suppliers. These reconciliations revealed several overstatements originating from prior years, which have been adjusted through the current year's income statement, as detailed below:</p> <table border="0" data-bbox="188 1153 874 1377"> <thead> <tr> <th style="text-align: left;">Account No</th> <th></th> <th style="text-align: right;">Eur</th> </tr> </thead> <tbody> <tr> <td>2390</td> <td>Repair and Upkeep - Street Lighting</td> <td style="text-align: right;">28,259.04</td> </tr> <tr> <td>3041</td> <td>Contractual Services - Refuse Collection</td> <td style="text-align: right;">8,354.13</td> </tr> <tr> <td>3102</td> <td>Professional fees - professional services</td> <td style="text-align: right;"><u>22686.6</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>59,299.77</u></td> </tr> </tbody> </table> <p>The above resulted in an overstatement of the surplus for the year under review, due to the necessary adjustments arising from overstated costs in prior years. This highlights a lack of adequate supplier reconciliation processes in previous periods. Although, the overstatements are material,</p>	Account No		Eur	2390	Repair and Upkeep - Street Lighting	28,259.04	3041	Contractual Services - Refuse Collection	8,354.13	3102	Professional fees - professional services	<u>22686.6</u>			<u>59,299.77</u>	<p>Rabat Local Council is glad that Parker Russell Turner has recognised the good efforts with regards to their recommendations outlined in 2023's management letter. As mentioned we are now adjusting amounts for repair and upkeep, street lighting, contractual refuse collection services, and professional fees.</p> <p>These overstatements were by no means intended to augment the surplus in year ending 2024.</p>
Account No		Eur														
2390	Repair and Upkeep - Street Lighting	28,259.04														
3041	Contractual Services - Refuse Collection	8,354.13														
3102	Professional fees - professional services	<u>22686.6</u>														
		<u>59,299.77</u>														

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>these have compensated by other prior period debits, as disclosed in note 9.2 to the management letter, leaving a net immaterial difference of € 4,902 on this year's surplus and corresponding creditors.</p>	<p>This compensation with the prior period debits indeed left an immaterial difference of €4,902.</p>
<p><i>Recommendation</i></p> <p>6.2.2. We recommend that the Council implements a formal and systematic process for supplier reconciliations, to be conducted on a regular basis—ideally quarterly. This process should include verification of balances with key suppliers, timely resolution of discrepancies, and proper documentation. Strengthening controls in this area will enhance the accuracy of financial reporting and help prevent similar misstatements in the future.</p> <p>We acknowledge that the Local Council has already started taking steps in this direction through implementation of better control procedures.</p>	<p>Rabat Local Council is reconciling the supplier on a regular basis and every quarter we are providing a quarterly financial report based on sound figures obtained from suppliers who provide us with statements. Those who are not complying are being boycotted and we are finding other supplies elsewhere even at a higher cost.</p>
<p>6.3 Other Creditors</p> <p><i>Weakness</i></p> <p>6.3.1. 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 € 5,206 with other creditors recorded in the books of accounts. This said discrepancy has remained unexplained.</p>	<p>The custodial moneys have become a problem since banks did not accept the fact that moneys be deposited directly to other entities accounts. Moreover, they did not accept coins in the bank bags any more. To complicate this further the coins were not even allowed to be deposited in the petty cash account. Also, they are taking lo</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

	to provide us with statements and thus making difficult to reconcile.
<p><i>Recommendation</i></p> <p>6.3.2. 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>Rabat Local Council is reconciling the amounts with the financial reports generated through the individual tailor made different systems. It has also segregated the custodial moneys from its operating account and has substantial controls these moneys collected for other entities.</p>

<p>7. ACCRUALS</p> <p><i>Weakness</i></p> <p>7.1. The Local Council has taken action to reflect the provisions in relation to the new Collective agreement for clerical staff within Local Councils and Regional Councils. By the time of the audit, approval of workings has been attained by the Local Council, and the salary arrears have been paid to the respective employees. Based on the revised workings, accruals in relation to the new collective agreement were understated by € 5,716, which were adjusted for through an audit adjustment.</p> <p>7.2. The Local Council has failed to account for the capital costs in relation to restoration of statues of € 31,126 representation works which were completed by year-end. Corresponding adjustment was reflected against <i>Property, Plant and Equipment</i> as per note 1.3.1 above.</p>	<p>There is nothing to add to the Collective agreement for clerical staff. It was a long wait for them to be in line with other public service employees. Finally, it happened and their morale was boosted. Obviously an adjustment had to be made.</p> <p>The restoration of the statues was mentioned earlier. Rabat Local Council does not have any objection for this capital cost to be provided for.</p>
<p><i>Recommendation</i></p> <p>7.3. 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>The Mayor and Executive Secretary verify works on a daily basis through site visits especially where capital expenditure is concerned. Professional people such as the architect certify these costs and our accountant enter these in the ledger according to the invoice date and takes in account when works start and is concluded.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>8. REVENUE</p> <p>8.1. General income</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 permit income recorded in the accounting system, an overall difference of € 808 arose, as illustrated below:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">Permits</th> </tr> </thead> <tbody> <tr> <td>As per Online System</td> <td style="text-align: right;">46,277</td> </tr> <tr> <td>As per nominal ledger</td> <td style="text-align: right;"><u>45,469</u></td> </tr> <tr> <td>Difference</td> <td style="text-align: right;"><u>(808)</u></td> </tr> </tbody> </table> <p>It was noted that the Local Council is currently recording only income from permits on the online system. Expanding the use of the system to include all revenue streams would enhance control over the completeness of income recording and provide a more robust audit trail for all transactions.</p>		Permits	As per Online System	46,277	As per nominal ledger	<u>45,469</u>	Difference	<u>(808)</u>	<p>Rabat Local Council is doing it's best to allocate all the incoming funds into their respective account. The on-line permit system is unfortunately not integrated with the Sage Accounting system. It would be very adapt should this recommendation be done to Central Government to ensure a robust audit trail for all transactions.</p>
	Permits								
As per Online System	46,277								
As per nominal ledger	<u>45,469</u>								
Difference	<u>(808)</u>								
<p><i>Recommendation</i></p> <p>8.1.2. We recommend that the Council integrates all revenue streams into the online system to ensure comprehensive income tracking. This will improve financial transparency, support internal control procedures, and facilitate more efficient audit processes. The Local Council should also regularly reconcile the receipts issued from the system with the income recorded in the accounting system to ensure accuracy and completeness.</p>	<p>The revenue streams normally are the permit payments that are also received on-line through other systems such as the APCO pay. However, other instances were noted where even income</p>								

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

				from Government Department and Agencies are not descriptive and very hard to allocate.
9. DEBIT TRANSACTIONS				
9.1. Procurement Guidelines				
<i>Weakness</i>				
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 Local Council
Detail	Supplier	Date	Amount	(i) is still utilising same beneficial tendered rates from the previously expired tenders with regards to the concrete bought from RockCut and Sammut Construction.
CU Yards C20 concrete 03.07.23	ROCKCUT	20/01/2024	1628.16	(ii) has utilised the direct services of Jonathan Azzopardi with regards to the damages rendered during the refurbishment of Rabat Local Council on third parties
Concrete C25	SAMMUT CONSTRUCTION	28/02/2024	2350.56	(iii) The Executive Secretary has called many times on site with various prospective builders but only Mr Albert Tanti furnished the quote for the re-inforcement of public convenience structural alterations to start accommodating for the very first time ever a person with disability. The doors were widened and all the structure had to be propped up in order to keep the ceiling from collapsing.
CU Yard C25 Concrete	ROCKCUT	04/10/2024	1323.96	
plastering and painting - Bibina	JONATHAN AZZOPARDI	08/11/2024	600.00	
Repairs- Damages doen by Cleffe	ALBERT TANTI	31/07/2024	5900.00	
Work carried out at the Bahrija	JONATHAN AZZOPARDI	07/12/2024	2850.00	
Public Convenience	RAYMOND CALLEJA	06/12/2024	3100.00	
xoghol latrina publika	B GRIMA & SONS LTD	22/05/2024	1231.83	
Tarmac work at Triq Il-Kuncizzjoni	B GRIMA & SONS LTD	12/08/2024	3993.12	
Road marking paint	LUKE VELLA	10/10/2024	4165.87	
Signs	GENAUDIO	02/09/2024	2461.48	
Grass cutting Imtahleb	DOLCERIA APPETITOSA	21/05/2024	1103.30	
AV Equipment Hire - Jum iR-Rabat	DOLCERIA APPETITOSA	29/06/2024	1072.15	
Catering for 25.05.24	LUCA SCHEMBRI	14/08/2023	1014.80	
Catering 03.07.24				
Photography service 22.11.22-08.08.23				

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

Count Roger Band- 23 & 24.09.23	SOCJETA SAN PAWL BANDA KONTI RUGGIERU	02/10/2023	1500.00	<p>(iv) Jonathan Azzopardi was called urgently replace bust pipes and plaster we cannot keep the public convenience closed until someone else turns up with other quotes</p> <p>(v) Raymond Calleja was called after a storm damaging Triq il-Kuncizzjoni and rendering farmers isolated from the Rabat Community</p> <p>(vi) B Grima & Sons were called to take over the contract signed with Koptasin Ltd as the latter were not delivering well especially in places where there is a high risk of collision due to corners and vehicular speeding.</p> <p>(vii) Luke Vella was called also to do grass cutting services at sharp bends in rural part of Rabat following a couple of collisions head on blaming the council that certain areas were neglected.</p> <p>(viii) Genaudio was the only contractor meeting the band technical rider and the general arrangements during Rabat Day which this year was celebrated for the first time next to the St Agatha's Catacombs.</p> <p>(ix) Dolceria Appetitosa were the cheapest caterers in Rabat at the May event when the refurbishment of St Domenic's Square garden took place compared with the Ta</p>
Sound for Rabat Sacrum	TSS SOUND RENTALS	28/09/2023	3858.60	
Amplifiers for Rabat Sacrum	TSS Sound	11/11/2024	3961.85	
40 Fasel Display	VEEGEE	29/10/2024	2499.22	
Natalis Notabils 2024 - Street Decorations IN Pjazza L'Isle	C&G STREET lighting	15/12/2024	3422.00	
Natalis Notabils 2024 - Street Decorations - fairy lights	C&G STREET lighting	15/12/2024	4838.00	
Artistic direction Rabat Sacrum 2024	EVENTS	04/11/2024	5020.00	
Marketing consultancy fee fo Rabat Sacrum Event/ Social media etc	VISUAL ADS	03/10/2024	4720.00	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<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>	<p>Xmun quote and the rejection by Neriku Caterers who were fully booked. With regards to the July event commemorating the installation of the new Council following the elections of the local councils we followed the quotes provided in the earlier instance. The installation of the new Mayor was carried out in St Dominic's Priory in July 2025.</p> <p>Besides this, Appetitosa, being situated in Rabat, it is more convenient to avoid allocating staff overtime before any event as these normally prepare hours before events and somebody has to be present to open up premises.</p> <p>(x) Luca Schembri was summoned by the Mayor to record progress on the refurbishment of the Rabat Local Council Municipality offices to justify extra overtime works also indicated by Parkor Russell Turner last year.</p> <p>(xi) Banda Conti Ruggieru, TSS Sound Rentals, Visual Ads and Events Malta was hired by Rabat Sacrum Activity Committee chaired by a councillor and the committee never turned up with quotations.</p>
--	---

Detail	Supplier	Date	Amount	
Legal services- Bonnici Bros	SLADDEN RICHARD	24/01/2024	2788.28	(xii) C & G Street Lighting were hired by the Committee of Natalis Notabilis with no official council representative despite the fact that the Council agreed to settle the bills since the Rabat Local Council logo featured in the Christmas Market Activity
Legal services vs Matsurv & Associates Ltd	SLADDEN RICHARD	05/08/2024	948.70	
Legal services - re ARPA claims	SLADDEN RICHARD	22/12/2024	959.79	
<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>The legal services 'irregularity' is not an irregularity but these were professional services directly allocated with the full consent of Rabat Local Council. The ARPA Claim, Matsurv and Bonnici Bros cases are a continuity from last year/s.</p> <p>No quotations were considered but Dr Richard Sladden has the full confidence of Rabat Local Council.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

--	--

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<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>Whenever possible, Rabat Local Council is requesting three signed quotations for purchases exceeding €50.</p>																				
<p>9.2. Omitted transactions in prior periods</p> <p><i>Weakness</i></p> <p>9.2.1. During our audit fieldwork we noted various transactions which were omitted in prior-periods and which were included during the year under review, as follows:</p> <table border="1" data-bbox="161 1182 967 1516"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Hard stone walls- Triq ir- Rebha- October 23</td> <td>FRANKIE GRECH</td> <td>26/10/2023</td> <td>5900.00</td> </tr> <tr> <td>Hard stone walls- Triq ir- Rebha- November 23</td> <td>FRANKIE GRECH</td> <td>29/11/2023</td> <td>5900.00</td> </tr> <tr> <td></td> <td></td> <td></td> <td>4238.58</td> </tr> <tr> <td>Street light maintenance- Rabat Cemetery</td> <td>MICAMED</td> <td>24/01/2022</td> <td></td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Hard stone walls- Triq ir- Rebha- October 23	FRANKIE GRECH	26/10/2023	5900.00	Hard stone walls- Triq ir- Rebha- November 23	FRANKIE GRECH	29/11/2023	5900.00				4238.58	Street light maintenance- Rabat Cemetery	MICAMED	24/01/2022		<p>The works by Frankie Grech had to be commissioned as long stretches of railings to protect people from falling over from Triq ir-Reb onto Triq Santa Rita were not possible to be installed. A hard stone filata was introduced on top of the wobbly dry stone wall by Mr Frankie Grech. Thus enabling the installer putting up a railing for safety. Mr Frankie Grech's bill did not reach us on time with his bill.</p>
Detail	Supplier	Date	Amount																		
Hard stone walls- Triq ir- Rebha- October 23	FRANKIE GRECH	26/10/2023	5900.00																		
Hard stone walls- Triq ir- Rebha- November 23	FRANKIE GRECH	29/11/2023	5900.00																		
			4238.58																		
Street light maintenance- Rabat Cemetery	MICAMED	24/01/2022																			

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

Street light maintenance- Installation of Decorative Lantern	MICAMEDL	01/02/2022	7554.95	The decorative street lighting lantern was installed at the facade of the Rabat Cemetery which is owned by Government, by Micamed. The invoice reached our office during 2024. Similarly the invoices for the street light maintenance in Għajnejt Housing Estate and the removal of the old benches and the installation of the new ones, were also sent late during ye 2024.
Street light maintenance- Housing Estate	MICAMEDL	10/11/2022	6250.46	
Remove old benches and install new benches- San Duminku	MICAMEDL	23/12/2022	4028.52	
Grass cutting & cleaning	GAUCI GREZJU	01/09/2023	6207.00	The services rendered by Mr Grezzju Gauci in connection with the grass cutting and cleaning non urban roads were done in September 2023. It took quite a while to certify the works from the office in the absence of a contract manager and the invoice was processed in ye 2024.
Professional fees	MEDDESIG	09/10/2023	2258.76	The invoice by Perit Charles Buhagiar was erroneously not provided for in year 2023. However, this was included with the professional works in 2024.
Artistic direction and event coordinator- Rabat Sacrum	EVENTS MALTA	24/09/2023	3800.00	During the Event Rabat Sacrum, an artistic director was hired (Events Malta) by the committee chaired by the councillor responsible for culture. For some reason the content of this invoice was noted during 2024 rather than 2023.
Lights for Natalis Notabilis 2023	C&G STREET lighting	25/10/2023	3422.00	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

Natalis Notabilis 2023	C&G STREET lighting	25/10/2023	4838.00 <u>54,398.25</u>	The works order signed by the Rabat Local Council icw the works by C & G Street Lights was signed after the works were carried out. Really and truly the event was not administered by the Council but Rabat Local Council was committed to fork out the expense to light up the streets in a decorative way in Christmas.
Although, the overstatements are material, these have compensated by other prior period credits, as disclosed in note 6.2.1 to the management letter, leaving a net immaterial difference of € 4,902 on this year's surplus and corresponding creditors.				
<i>Recommendation</i>				
9.2.2. We recommend that all debit transactions are included in the system during the period when they are incurred. Further, we recommend that regular reviews are done by the accountant in liaison with the Executive Secretary to ensure that all expenditure is included in the accounts, and that for every third-party expenditure incurred by the Council, a corresponding invoice is issued and presented.				We are suggesting the newly appointed Accountant to keep an eye on these debit transactions, in order to include them during the year services are rendered.
9.3. Rent expense				
<i>Weakness</i>				
9.3.1. While performing audit procedures, we noted that the Local Council recorded a rent expense amounting to € 76,133 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.				Rabat Local Council is objecting the Modified Opinion on this matter. The high rent is emanating from the rented apartments 30 and 34, Inguane Street, on a temporarily basis, during the restoration of the Municipality Offices at 8, Triq Isptar, ir-Rabat.

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<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 has been effective as from 1 January 2023 without being supported by an updated written agreement. 	<p>The garage at Triq Mons Guzeppi De Piro is no longer hired by Rabat Local Council.</p> <p>The space at the garage in Triq Inguanez was increased to accomodate storage items such as electric sweeping machinery which is rechargeable.</p> <p>The property at 7, Hospital Street was leased last year ago at €400 monthly. 1st January 2023 was the third year. An abstract from the contract is being produced below: "Versu l-kera ta' erba' mitt cwro (EUR400) fix-xahas pagabbli h'sitt (6) xhur bil-quddiem ghall-ewwel sentejn. Wara l-ewwel sentejn ikun bir-rata hawn stabbilita, filwaqt illi mill-bidu tat-tielet sena sat-tliet tal-hames sena, il-kera tkun ta' erba' mija u tmenin cwro (EUR480) fix-xahar. Il-hlas tal-Value Added Tax (VAT) fuq il-kera hu a kariku esklussiv tal-inkwilin</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>Rabat Local Council is considering the current lease agreements and is adjusting accordingly. New lease agreements are also being signed for our behalf.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

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>9.4. Contracts</p> <p><i>Weakness</i></p> <p>9.4.1. During our audit testing, it was noted that the following tender have expired:</p> <ul style="list-style-type: none"> - Architectural services provided by MED Design Ltd; - Contractual Services for Public conveniences offered by Mr Paul Borg; - Contractual Services for Public conveniences offered by Mr Roderick Ciantar. 	<p>A tender is being drafted for the Rabat Local Council to be provided by:</p> <ul style="list-style-type: none"> - Architectural Services - Upkeep of Public Convenience in Triq il-Kullegg and in Bahrija. <p>As a side note, the public convenience in Triq il-Kullegg was voted as the best public convenience in Malta in social media and we also invested in the Bahrija Public Convenience now accomodating persons with disability since there was no access to wheelchairs.</p>
<p><i>Recommendation</i></p> <p>9.4.2. 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>Rabat Local Council is monitoring the expired contracts very closely. As yet Rabat Local Council did not approve the issue of the above mentioned tenders during local council meetings.</p>
<p>10. PAYROLL AND HUMAN RESOURCES</p> <p><i>Weakness</i></p> <p>10.1. During our audit fieldwork, we noted that payroll reconciliation with the FSS statutory forms resulted in a discrepancy of € 843.</p>	<p>As yet, Rabat Local Council did not decipher the outstanding amount of €843. However we are trying to reconcile the payroll.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p><i>Recommendation</i></p> <p>10.2. We recommend that reviews are performed to ensure that FSS forms are reconciled on a monthly basis with the payroll system and the nominal ledger, so that any differences are rectified and adjusted for in a timely manner.</p>	<p>FSS forms are reconciled monthly. The payroll system is being taken care by the Accountant and it is basically all electronically inputted.</p>
<p>11. PRESENTATION OF FINANCIAL STATEMENTS</p> <p><i>Weakness</i></p> <p>11.1. 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>11.2. In addition, various reclassification adjustments were reflected at audit level.</p>	<p>Rabat Local Council's financial statements are prepared in conformity to IFRSs. Indeed these were accepted even by the National Audit Office.</p>
<p><i>Recommendation</i></p> <p>11.3. 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>Full attention is being given to the preparation of the financial statements and also the quarterly financial statements.</p>
<p>12. FINANCIAL INDICATORS</p>	

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p><i>Weakness</i></p> <p>12.1.1. The Local Council's financial results have deviated significantly from the budgets submitted to the Department of Local Government. Specifically, the Council recorded a deficit of € 68,853, compared to the budgeted surplus €10,000. This indicates a clear failure to adhere to the approved budget allocations.</p> <p>In addition, as at 31 December 2024, the Council reported a working capital deficit of € 223,421. It is imperative that the Local Council's management implements more robust financial controls to ensure that operations are conducted in a financially responsible and compliant manner.</p> <p>12.1.2. Financial indicators of Rabat Local Council are in a negative position in view of the fact that current liabilities are substantially higher than the assets; which deficiency accounts to about 7% of the budget allocation.</p> <p>12.1.3. The Local Council has received a loan from the Department of Local Government amounting to € 286,188. This loan was supported by a loan agreement. Nonetheless no settlements were affected by the Local Council during 2023 to 2025.</p>	<p>Extraordinary things happened during the year ending 2024. We have moved virements to make use of funds from other categories. The deficit of €68,853 and the working capital deficit of €223,421 is not a clear failure to adhere to the approved budgets. One has to be aware that the extraordinary expenses related to the Municipal refurbishment and other expenses to adhere to commitments with regards to the EU funding have driven us out of route.</p> <p>It is true that the financial indicators are in a negative position, however we are striving to control the current liabilities during the year 2024.</p> <p>Settlements of the loan are done through the government allocation figures. That is by deducting our allocation figure per quarter. This is not a matter of 'no settlements were affected'.</p>
<p><i>Recommendation</i></p> <p>12.1.4. The Local Council should get clearance of the repayment terms of the said loan balance and should ensure that it will abide with the terms and conditions of the said loan. If the loan repayment terms have changed, the loan agreement should be updated to reflect the revised terms. Furthermore, the Local Council should negotiate a payment plan for the repayment of the loan to ensure that cash flow outflows are not strained.</p>	<p>The loan was taken on the condition the repayment is spread onto the incoming government allocation figure. The deductions from the Government allocation should be done on a quarterly basis.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

<p>12.1.5. While we acknowledge the significant workload and activity levels within the Local Council and the locality, it is recommended that the Council reassesses its budgetary priorities to ensure that Government funds are used in alignment with their intended objectives. Furthermore, the implementation of stricter expenditure controls and enhanced monitoring mechanisms is advised to promote more efficient allocation of resources and improve overall financial management.</p>	<p>We are glad to note that Parker Russell Turner has recognised the significant workload and activities. The re-assessment of budget priorities entail the cutting of the community and hospital vote to allocate resources on activities which the Council is directly responsible for. Mainly, cleaning, repair and upkeep.</p>
<p>13. CONCLUSIONS</p> <p>13.1. Various improvements have been noted during the year under review in relation to the record keeping of the Council's accounting systems. Continuous efforts should be implemented towards ensuring that better attention is given in relation to cut-offs of transactions and correct classifications thereof.</p> <p>13.2. The Local Council should direct its efforts in managing its operations in a more structured manner, whilst ensuring it is making optimum use of public funds. Furthermore, procurement regulations should be adhered to at all times.</p> <p>13.3. 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>During the year another accountant has been engaged. We are striving to ensure better cut-off of transactions and correct classifications.</p> <p>Rabat Local Council is directing the financial expenses towards the operations rather than other extraordinary projects, for the betterment the working capital.</p> <p>Rabat Local Council is preparing an action plan with the accountant to clearly make a sound financial environment. With this in mind we would like to share this plan with you for further observations and implementation.</p>

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024

Deficiencies noted in the course of our audit of the financial statements of the Rabat Local Council for the year ended 31 December 2024