The Members
Rabat Local Council
34, Triq Inguanez
Rabat
Malta

22 June 2026

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 2025. 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 2025, we examined the principal documents, systems and controls applied by the Council, to help it ensure, in so far as it is possible, far as possible, the accuracy and completeness of the accounting and to safeguard the assets of the Council.

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

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

Yours faithfully,

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Arthur Douglas Turner
Partner - Parker Russell Turner

PREVIOUS MANAGEMENT LETTER

During the course of our audit for the year ended 31 December 2025, 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. No major shortcomings were noted in the valuation of stock.

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 3 on page 14 and 15.

Furthermore, we have also once again noted various inaccuracies in the accounting of closing accrued income as per note 4 on pages 16 to 17.

v. Trade and other payables

We are pleased to note that that various suppliers' reconciliations were carried out and the Local Council exerted various efforts to attain supplier statements from the major suppliers.

We have also noted that long outstanding other creditors have been addressed during the year under review, and creditors' balances at year end decreased substantially from previous year. Further shortcomings were encountered this year, as explained in note 5 on pages 18 to 22.

vi. Income

We have once again noted shortcomings in general income as per note 8 on pages 23 to 24.

vii. Expenditure

We have once again noted shortcomings in the accounting of the rental expenditure as per note 9 on page 27. Furthermore, similar deficiencies were noted in the application of procurement procedures and expired contracts as denoted in note 9 on pages 25 to 28.

In relation to payroll costs, no major shortcomings were noted this year and any discrepancies have been addressed.

viii. Accounting system

Improvements were noted during the past two years 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 reclassifications. Further adjustments were necessitated this year. Nonetheless the improvement is being acknowledged.

ix. Payroll

In previous year, unexplained difference had arisen in payroll reconciliation with the FSS statutory forms. Minor differences which had arisen this year, have been identified and rectified. No other issues were noted.

x. Financial statements presentation

We have once again noted shortcomings in the presentation of the unaudited financial statements, as per note 10 on pages 28 to 29.

xi. Financial indicators

The Local Council this year presented a surplus of € 348,287 compared to a re-stated deficit in previous year of € (57,098). The working capital deficit also decreased from € 95,124 to € 18,191, which shows a positive improvement by the Local Council.

Furthermore, the Local Council had received a loan from the Department of Local Government amounting to € 286,188 for which no repayments were effected. After year end, the Local Council has obtained clearance that the Loan will be waived off in favour of the Local Council.

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. *CASH IN HAND AND AT BANK*
3. *DEBTORS*
4. *ACCRUED CAPITAL GRANTS*
5. *CREDITORS*
6. *OTHER CREDITORS*
7. *ACCRUALS AND PREPAYMENTS*
8. *REVENUE*
9. *DEBIT TRANSACTIONS*
10. *PRESENTATION OF FINANCIAL STATEMENTS*
11. *PRIOR-YEAR ADJUSTMENTS*
12. *CONCLUSIONS*

FINDINGS ARISING FROM 2025 AUDIT

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	LOCAL COUNCIL REPLIES
1. PROPERTY, PLANT AND EQUIPMENT 1.1. Fixed Asset Register *Weakness* 1.1.1. Although the Council has taken the necessary steps to compile a fixed asset register, the register is not sufficiently robust to capture all asset types, categories, and locations, nor does it consistently link records to physically labelled assets. Furthermore, the manually maintained register is not integrated with the Fixed Asset Module or the General Ledger within the accounting software. Consequently, exist between the total net book value recorded in the fixed asset register and that reflected in the accounting system, after excluding assets under construction. The discrepancies need to be investigated without further delay and action taken. 1.1.2. As a result of these deficiencies, we were unable to obtain sufficient appropriate audit evidence to confirm the completeness and accuracy of property, plant and equipment balances. Accordingly, we qualified our audit opinion in respect of this matter. Furthermore, the discrepancies may also have an impact on the depreciation charge recognised in the financial statements, as any omitted, duplicated, incorrectly valued, or misclassified assets could result in depreciation expense being misstated in the income statement.	Fixed Asset Register and Fixed Asset Module Integration Rabat Local Council is currently undertaking a comprehensive exercise to identify, verify, and capture all assets owned by the Council, with the objective of compiling a complete and accurate Fixed Asset Register and integrating it with the Fixed Asset Module of the accounting system. During 2026, the Council transitioned to the Summa accounting system, replacing its previous reliance on Sage Line 50. This transition provides an opportunity to reconcile and align the Fixed Asset Register with the accounting records and ensure that the net book value of fixed assets recorded in the Fixed Asset Register agrees with the corresponding balances reflected in the General Ledger.

	The exercise is intended to strengthen the Council's asset management and financial reporting controls and will ensure that: • The closing balance of the Fixed Asset Register agrees with the relevant Fixed Asset Control Accounts in the General Ledger. • The depreciation charge calculated through the Fixed Asset Module agrees with the depreciation expense recorded in the Statement of Financial Performance. • All additions to fixed assets are supported by appropriate invoices, approvals, procurement documentation, and corresponding accounting entries. • All disposals of fixed assets are properly authorised, documented, removed from the Fixed Asset Register, and correctly reflected in the accounting records. • The accumulated depreciation and net book value of each asset are accurately recorded and reconciled with the General Ledger.

	• Differences identified between the Fixed Asset Register and the accounting records are investigated, documented, and appropriately corrected. • The Fixed Asset Register provides a complete audit trail for each asset, including its description, acquisition date, cost, location, depreciation, accumulated depreciation, net book value, and disposal details where applicable. This process will provide the Council with a reliable and up-to-date record of its fixed assets and will improve the accuracy, transparency, and accountability of its financial reporting. Ultimately, the integration of the Fixed Asset Register with the Summa accounting system will ensure that the Council's asset records and financial accounts remain consistently reconciled and that changes in the asset base are properly reflected in the accounting records.

Recommendation 1.1.3. We recommend that the Council maintains its fixed asset register using an appropriate software solution that is fully integrated with the accounting system. The implementation and configuration of the fixed asset register should be discussed in detail with the Council's IT service provider and the accountant responsible to ensure that the software is tailored to the Council's operational requirements and that the fixed asset register is fully synchronised with the General Ledger. 1.1.4. The Council should also undertake a comprehensive reconciliation of the fixed asset register to the General Ledger and perform a complete physical verification of its assets to ensure that all assets are accurately recorded, appropriately classified, assigned to their respective locations, and linked to uniquely labelled physical assets. Once the reconciliation exercise has been completed, depreciation should be recalculated where necessary to ensure that the depreciation charge and the carrying values of property, plant and equipment are fairly stated in the financial statements. Regular reconciliations and periodic asset verification exercises should be performed thereafter to minimise omissions and maintain the accuracy and completeness of the fixed asset register.	Rabat Local Council is making every effort to ensure that its Fixed Asset Register (FAR) is properly maintained and kept up to date. In early 2026, the Council also invested in a new accounting software system, SUMMA, which was approved by the Department for Local Government and is intended to meet the accounting and reporting requirements highlighted by the auditors. As part of this process, the Council is carrying out frequent reconciliations between the General Ledger and the Fixed Asset Register to ensure that asset records are accurately reflected in the accounting records. Any discrepancies identified through these reconciliations are being investigated and, where necessary, corrected. The Council is therefore committed to strengthening the controls surrounding its fixed assets and to ensuring that the FAR and the General Ledger remain properly aligned and supported by adequate documentation. .

1.2. Capitalisation of expenditure *Weakness* 1.2.1. During our audit procedures, we noted that there were various capital expenses amounting to € 7,172 pertaining to Asset Under Construction which were incorrectly accounted for within administrative expenses. These were capitalised at audit level.	Rabat Local Council has no objection to the amount of €7,172, relating to an Asset Under Construction, being reclassified from the category of Administrative Expenses and capitalised accordingly. The proposed treatment would ensure that the expenditure is appropriately recognised as a capital asset in accordance with the applicable accounting principles. Consequently, the amount would no longer be charged as an expense in the current period, which would have a positive impact on the Council's Profit and Loss Account (P&L).
Recommendation 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: (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	Together with the Accountant, the Executive Secretary and his staff are carefully distinguishing between revenue expenditure and capital expenditure, in accordance with the requirements of IAS 16 – Property, Plant and Equipment, as well as the applicable accounting treatment for Finance Leases and Assets Under Development.

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<td>(c) Assets under development and not yet brought into use.</td>
<td>This process is intended to ensure that expenditure is appropriately classified and that capital items are properly recognised and recorded in the Council’s accounting records and Fixed Asset Register.</td>
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<td>1.3. Fixed Assets Additions

Weakness

1.3.1. During 2025, the Local Council carried out a detailed reconciliation in relation to the Council Office project, namely Dar Rabtin, and reversed an amount of € 102,316 which related to 2024 transactions.

1.3.2. Furthermore, an amount of € 179 was wrongly classified as Repairs and Upkeep and was reclassified to Office equipment at audit level. Similarly, an amount of € 5,785 and € 1,489 respectively were reclassified from Urban Improvements to Office equipment at audit level. These costs pertained to the CCTV project, for which the Council had received corresponding grants from LESA.

1.3.3. 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:
<table>
<tr><th>Detail</th><th>Supplier</th><th>Date</th><th>Amount</th></tr>
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<td>We are pleased to note that the Auditors have confirmed that, during 2025, Rabat Local Council carried out a detailed reconciliation in relation to one of the largest restoration projects undertaken by the Council, namely the restoration of the Municipal Building.

Rabat Local Council has no objection to the reclassification of the amounts identified by the Auditors, including the expenditure relating to the CCTV project, which was financed through LESA funding.

The Council considers that the proposed reclassification will ensure that the expenditure is appropriately reflected in the financial records and is properly aligned with its nature and source of financing.</td>
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Electrical and waterworks at Kuncizzjoni Public Convience	Carmel Farrugia (C&C Farrugia)	24/06/,2025	3,100
Tiles at Kuncizzjoni Public Convenience	Gauci Grazio	17/06/2025	2,500
Local Hardstone	Agius Marble works	30/05/2025	4,130
Restoration supervision and management fee	MED Design	18/08/2025	5,054.69
Preparing plans and BOQs ref 16025 and tender docs for Ghajn Qajjet Community Centre	MED Design	04/04/2025	20,060
CCTV - Zuntier	ISPY PROJECTS	12/12/2025	2,581.72
CCTV - Gnien Bir Iljun	ISPY PROJECTS	22/12/2025	3,451.38

It is to be noted that the tender with MED Design had expired, and some of the fee charges received from this supplier are only supported by Request for Payments and not by commercial invoices.

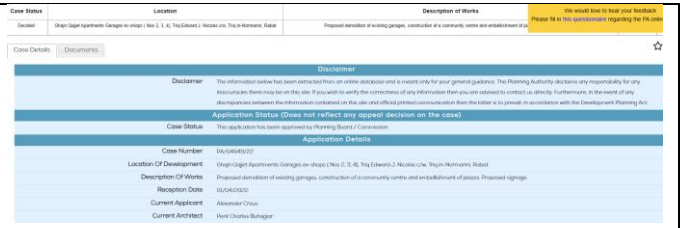
.The scheme financed by Reġjun Punent for the rehabilitation of the public convenience at il-Kunċizzjoni was at risk of being lost had the Council not taken timely action to ensure that th works were completed within the required timeframe.

The rehabilitation works included, among other improvements, the widening of the entrance door to the public convenience, thereby enabling, for the first time, persons using wheelchairs to access and make use of these facilities.

Rabat Local Council made every effort to obtain quotations for the required works. However, a number of contractors approached by the Council declined to submit quotations, explaining that they were fully committed with other works and would not be in a position to complete the project within the stipulated timeframe.

Despite these difficulties, the Council remained committed to proceeding with the project and ensuring that the funding allocated by Reġjun Punent would not be lost, particularly given the importance of improving accessibility and providing more inclusive public facilities.

	The damage to the local hardstone façade was caused by a road traffic accident, which resulted in significant damage to the building. In view of the condition of the structure, the Council had no option but to act promptly and undertake the necessary remedial works, particularly given the risk that the public convenience in Triq Santa Rita could deteriorate further and potentially become unsafe or collapse. With regard to the Għajn Qajjet Community Hub, Med Design were the architects responsible for preparing and submitting the plans for the project. In this context, it would not be considered professional or appropriate to change the appointed architect during the process, particularly given their existing knowledge of the project, its design, documentation and Planning Authority submissions. For completeness, the details of the architect assigned to the project are also available through the Planning Authority's online records, as indicated below.

	 The CCTV scheme financed by LESA was supported by a formal public procurement process through Tender RLC/T/219/24 – Supply and Installation of CCTV Cameras in Rabat. The tender provided the necessary procurement framework for the supply and installation of the CCTV equipment and ensured that the project was implemented in accordance with the applicable procurement requirements.

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<td>Recommendation

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</td>
<td>We fully understand and appreciate the strict requirements of the law and the importance of adhering to the applicable rules and procedures.

However, there are circumstances in which unforeseen developments or time-sensitive</td>
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be issued. More scrutiny should be effected on the tender processing and the project funding.	situations arise, requiring the Council to take prompt and decisive action. In such circumstances, the Council must carefully balance procedural requirements with its responsibility to safeguard public funds and avoid the loss of financial assistance or reimbursement available from other entities, including the Planning Authority, Department for Local Government (DLG) schemes, Reġjun Punent, and other funding programmes. The Council's intention in taking such decisions is never to circumvent established procedures, but rather to act responsibly and in the best interests of the Council and the community, particularly where failure to act within the required timeframe could result in the loss of funds or opportunities for reimbursement.
1.4. Capital Grants *Weakness* 1.4.1. The Council received funding relating to the installation of CCTV cameras during 2026 in respect of expenditure incurred in 2025. The related capital	Rabat Local Council has no objection to the adjustment made by the Auditors in respect of

grant was understated by € 1,726 in the 2025 financial statements and was adjusted during the audit.	the capital grant, which was found to have been understated in the financial records.
1.4.2. The Local Council was awarded funding of € 44,788 for the restoration of stone statues on pedestals. Although the project had been completed by the end of 2025, the full amount of the related capital grant had not been recognised against Property, Plant and Equipment. Consequently, an audit adjustment of € 27,545 was required to recognise the grant and the corresponding receivable.	The difference was primarily a matter of timing in the recognition of the grant. The Council has now taken the necessary steps to recognise the full amount relating to the capital grant in its accounting records, ensuring that the grant is properly reflected in the financial statements.
1.4.3. Under the ERDF Interreg Collaboration Programme, the Local Council received grant funding amounting to € 449,650. During 2025, final grant payments totalling € 30,545 were received to reimburse salaries and other administrative expenditure incurred on the project. These grants were incorrectly recognised as capital grants instead of revenue grants. An audit adjustment was therefore required to reclassify the amounts to income in order to match them with the related administrative expenditure incurred during the year.	Rabat Local Council has no objection to the adjustment made by the Auditors in respect of the capital grant, which was identified as having been understated in the financial records. The variance was primarily attributable to the timing of the recognition of the grant. The Council has since taken the necessary action to recognise the full amount relating to the capital grant in its accounting records, thereby ensuring that the grant is accurately and appropriately reflected in the financial statements.
1.4.4. Government grants amounting to € 20,035, relating to the Local Council premises project (Dar Rabtin), were received during 2025 but were incorrectly recognised as Other Government Income in the Statement of Financial Performance. An audit adjustment was required to reclassify these amounts as capital grants in accordance with their underlying purpose.	The amount received as a grant was indeed erroneously classified as “Other Government Income” in the Council’s accounting records.
1.4.5. Our review of the funding received in relation to the Local Council's new offices, compared with the capital expenditure incurred to date, identified that cumulative grants received exceeded the related capital expenditure by	However, upon further review, it was established that the amount formed part of the grant relating to the premises at Dar ir-Rabtin.

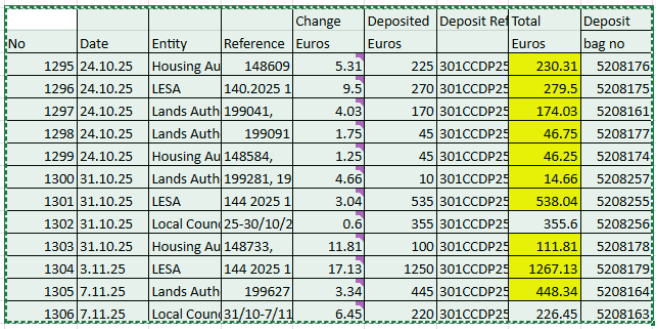
€ 204,558, comprising € 171,576 relating to 2025 and € 32,982 brought forward from previous years. This excess funding was deferred to future periods on the basis that additional qualifying capital expenditure is expected to be incurred. During the audit, we requested a detailed breakdown of the remaining capital expenditure planned for the project. However, the information provided indicated that the projected qualifying expenditure is significantly lower than the excess funding currently deferred. This creates uncertainty as to whether the Council will incur sufficient eligible expenditure to justify the full amount of grants received and may give rise to the need for discussions with the funding authority regarding the treatment of any unutilised grant funds.	Although the funding was also provided by Government, its specific nature and purpose relate to the grant for the said premises and should therefore be classified accordingly. The Council accepts the necessary adjustment to ensure that the grant is correctly presented and disclosed in the financial statements. The amount received as a grant was indeed erroneously classified as "Other Government Income" in the Council's accounting records. However, following further review, it was established that the amount formed part of the grant relating to the premises at Dar ir-Rabtin. Although the funding was provided by Government, its specific purpose and nature relate to the grant for the said premises and should therefore be classified accordingly. Rabat Local Council accepts the necessary adjustment to ensure that the grant is appropriately classified, presented and disclosed in the financial statements.

Other observations 1.4.6. 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 being held. Impairment tests should be carried out ongoingly and a report should be prepared regularly to assess the state of the assets and carry out the necessary impairment tests. 1.4.7. Capital commitment notes in the financial statements was not amplified and did not provide the necessary details. This has been updated at audit level.	Rabat Local Council is currently undertaking a comprehensive reassessment of its assets as part of an exercise to determine their current physical condition and identify any deterioration requiring attention. Particular focus is being given to assets that are exposed to outdoor conditions, including pavements, roads and other public infrastructure. These assets are particularly vulnerable to deterioration due to exposure to the elements, heavy vehicular traffic and the continuous passage of heavy vehicles, as well as increased usage in areas experiencing high traffic volumes. Special attention is also being given to assets located along tourist routes and other high-footfall areas, where the level of use and exposure is significantly greater. This assessment will assist the Council in determining the appropriate maintenance, repair, rehabilitation or replacement requirements and in ensuring that the

	condition of its assets is properly monitored and reflected in its records.
CASH IN HAND AND AT BANK 2.1. Treasury Management *Weakness* 2.1.1. We have noted that while the Council has bank balances of € 854,371 as disclosed under note 14 in the financial statements, these are not being segregated between operational and capital bank accounts depending on their purpose. 2.1.2. 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 are still noted. 2.1.3. 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.	First and foremost, Rabat Local Council is pleased to note that the Auditors have recognised the Council's bank balances amounting to €854,371. "The Council considers this recognition to be important, as it confirms the accuracy of the bank balances held and provides a true and fair reflection of the Council's financial position as at the reporting date." The specific bank account concerned is MT26VALL22013000000040011047261. With regard to the reconciliation of this account, the Executive Secretary maintains an Excel spreadsheet in which all relevant details are recorded and updated whenever a deposit is made. This provides a systematic record of deposits and facilitates the

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<td>reconciliation of the amounts received with the corresponding bank transactions.

A sample of the spreadsheet maintained by the Council is provided below for reference.


<table>
<tr><th>No</th><th>Date</th><th>Entity</th><th>Reference</th><th>Change Euros</th><th>Deposited Euros</th><th>Deposit Ref</th><th>Total Euros</th><th>Deposit bag no</th></tr>
<tr><td>1295</td><td>24.10.25</td><td>Housing Au</td><td>148609</td><td>5.31</td><td>225</td><td>301CCDP25</td><td>230.31</td><td>5208176</td></tr>
<tr><td>1296</td><td>24.10.25</td><td>LESA</td><td>140.2025 1</td><td>9.5</td><td>270</td><td>301CCDP25</td><td>279.5</td><td>5208175</td></tr>
<tr><td>1297</td><td>24.10.25</td><td>Lands Auth</td><td>199041,</td><td>4.03</td><td>170</td><td>301CCDP25</td><td>174.03</td><td>5208161</td></tr>
<tr><td>1298</td><td>24.10.25</td><td>Lands Auth</td><td>199091</td><td>1.75</td><td>45</td><td>301CCDP25</td><td>46.75</td><td>5208177</td></tr>
<tr><td>1299</td><td>24.10.25</td><td>Housing Au</td><td>148584,</td><td>1.25</td><td>45</td><td>301CCDP25</td><td>46.25</td><td>5208174</td></tr>
<tr><td>1300</td><td>31.10.25</td><td>Lands Auth</td><td>199281, 19</td><td>4.66</td><td>10</td><td>301CCDP25</td><td>14.66</td><td>5208257</td></tr>
<tr><td>1301</td><td>31.10.25</td><td>LESA</td><td>144 2025 1</td><td>3.04</td><td>535</td><td>301CCDP25</td><td>538.04</td><td>5208255</td></tr>
<tr><td>1302</td><td>31.10.25</td><td>Local Coun</td><td>25-30/10/2</td><td>0.6</td><td>355</td><td>301CCDP25</td><td>355.6</td><td>5208256</td></tr>
<tr><td>1303</td><td>31.10.25</td><td>Housing Au</td><td>148733,</td><td>11.81</td><td>100</td><td>301CCDP25</td><td>111.81</td><td>5208178</td></tr>
<tr><td>1304</td><td>3.11.25</td><td>LESA</td><td>144 2025 1</td><td>17.13</td><td>1250</td><td>301CCDP25</td><td>1267.13</td><td>5208179</td></tr>
<tr><td>1305</td><td>7.11.25</td><td>Lands Auth</td><td>199627</td><td>3.34</td><td>445</td><td>301CCDP25</td><td>448.34</td><td>5208164</td></tr>
<tr><td>1306</td><td>7.11.25</td><td>Local Coun</td><td>31/10-7/11</td><td>6.45</td><td>220</td><td>301CCDP25</td><td>226.45</td><td>5208163</td></tr>
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<td>Recommendation

2.1.4. 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.

2.1.5. 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.</td>
<td>Rabat Local Council is implementing treasury management procedures and recognises that these procedures require further maintenance, regular review and updating from the Council’s end to ensure a proper distinction between operational funds and custodial monies.

Although the designation “LC Other Entities Account” does not appear as a specific account name at bank level, the account is</td>
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	nevertheless being used for the intended purpose of holding and managing funds belonging to other entities separately from the Council's operational funds. The Council is committed to further strengthening these procedures and ensuring that the distinction between operational and custodial funds is clearly maintained, properly documented and regularly reconciled.
2.2. Bank guarantees *Weakness* 2.2.1. 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, whilst 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 stated in the BOV bank letter.	Rabat Local Council is still experiencing difficulties in obtaining the necessary documentation and confirmation required for the withdrawal and release of the long-standing bank guarantee in favour of the Council. The Council continues to follow up on this matter with the relevant parties with the aim of bringing this outstanding issue to a conclusion

	and ensuring that the guarantee is formally released in favour of Rabat Local Council.

Recommendation 2.2.2. 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.	Bank of Valletta are requesting original copies of these guarantees which went missing.
DEBTORS 3.1. LESA – 10% Administrative fee receivable *Weakness* 3.1.1. Whilst testing trade receivables, we have noted that no proper reconciliation is being done with LESA for amounts receivable at year end of € 8,093. As per the Local Council's books of accounts, there are still outstanding invoices from 2022 to 2024, amounting to € 6,151.	At the end of the financial year, Rabat Local Council requested a statement of account from LESA, which was subsequently reconciled and matched against the Council's records. The Council is currently investigating a difference of €6,151.00 identified during the reconciliation process. The necessary checks are being carried out to establish the nature and origin of this variance and, where necessary, to make the appropriate accounting adjustments.
Recommendation	

3.1.2. 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.	Rabat Local Council is requesting regular statements of account, particularly at the end of each quarter, to reconcile and verify any amounts due and to ensure that outstanding balances are accurately reflected in the Council's records. Furthermore, during the current year, an increasing number of transactions are being processed by customers through online payments and electronic payment facilities, including EPOS. These payment methods are being monitored and reconciled with the Council's accounting records to ensure that all receipts are properly recorded and accounted for. .
3.2. LES Debtor – Pre-regional *Weakness* 3.2.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 174,993 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	The LES pre-Regional contraventions were independently reviewed and tested by the Council's office through a separate exercise.

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 decrease of € 2,654.	The review established that a significant number of outstanding fines are no longer realistically collectible. In several cases, the vehicles concerned have subsequently obtained a Transport Malta (TM) scrappage certificate, while in a considerable number of cases, the previous registered owners have since passed away. In the Council's view, the assessment of these outstanding balances should not be based solely on the report generated by the Loqus system. It is important to investigate the underlying reasons why these fines have remained unpaid for such a prolonged period and to determine, on a case-by-case basis, whether they remain legally and practically recoverable. The Council therefore considers that a proper assessment of the recoverability of these outstanding fines should take into account the circumstances surrounding each case, rather than relying exclusively on the balances appearing in the system.
Recommendation	

3.2.2. 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 written off'. 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.	Regular reconciliations are being carried out to match the transactions recorded in the LES system with the corresponding bank balances. These reconciliations enable the Council to verify that all collections and receipts recorded in the LES system are properly reflected in the bank accounts and that any discrepancies are identified and investigated in a timely manner. .

4. ACCRUED CAPITAL GRANTS *Weakness* 4.1. During our audit fieldwork, we noted that the Council failed to record accrued income pertaining to the following: • Financial assistance for Restoration of Statues in various locations of Rabat was understated by € 27,545. The project costs have been incurred during 2025, and consequently the corresponding entry was passed against capital grants as per note 1.4.1 above; • Financial assistance from LESA in relation to CCTVs was understated by € 1,728. Corresponding entry was passed against capital grant as per note 1.4.2 above; Adjustments were affected at audit level to account for the above transactions.	The accrued income should, in principle, be recognised in the Council's financial records. However, Rabat Local Council adopted a prudent approach pending the submission, review and verification of all supporting documentation by the Planning Authority in relation to the Development Fund. Similarly, accrued income relating to LESA funding was conservatively understated pending confirmation of the amounts that would ultimately be accepted by LESA. This approach was adopted in view of variations to the approved works schedule, which could have affected the final amount eligible for reimbursement. The Council considered it prudent to recognise only amounts that could be reasonably supported and substantiated at the reporting date, pending final confirmation from the respective authorities.

Recommendation 4.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether they were received or not, should be accounted for in order to ensure completeness of income.	Rabat Local Council maintains its accounting records on an accrual basis rather than a cash basis, in accordance with the applicable accounting principles. The findings highlighted by the Auditors primarily relate to amounts that were recognised conservatively pending the final approval and confirmation of grants by the relevant funding entities. The Council's approach was intended to ensure that income was not overstated before the respective grants and eligible amounts had been fully approved and substantiated. Rabat Local Council takes this opportunity to express its appreciation to LESA and the Planning Authority for their continued support and investment in the Council's projects, which ultimately contribute to the benefit of our residents, our heritage, the wider community and Rabat as a whole.

Weakness 4.3. Our review of accrued grants revealed that an amount of € 60,897, relating to Measure 4.3 and the St Margarita project, have remained recorded in the Council's accounts for a number of years. These amounts have not been received to date, and no evidence was provided indicating that the recoverability of these balances have been formally assessed or that a final determination has been sought from the relevant authorities. The continued carrying forward of long-outstanding accrued grant balances without resolution increases the risk of assets being overstated and may result in the financial statements not accurately reflecting the Council's financial position.	Rabat Local Council is continuing to follow up on the EU-funded projects under Measure 4.3, particularly in relation to the tarmac works at l-Imtaħleb and the restoration of the Cemetery façade. However, the Council is encountering difficulties in recovering the eligible expenses from ARPA, despite the existence of signed agreements and contractual commitments with the Contracting Authority. The Council remains committed to pursuing the matter through the appropriate channels and to providing any further documentation or clarification required to substantiate the expenditure and facilitate the recovery of the funds due to the Council. .
Recommendation 4.4. We recommend that the Council actively pursue the matter with the relevant authorities and obtain a formal determination regarding the status and recoverability of the outstanding grant balances relating to Measure 4.3 and the St Margarita project. Based on the outcome of this exercise, the Council	

should make any necessary accounting adjustments to ensure that the financial statements fairly reflect amounts that are recoverable. Furthermore, the Council should periodically review all long-outstanding accrued balances and take timely action to resolve them, rather than carrying forward unreconciled amounts from one financial year to the next without adequate supporting evidence or follow-up.	Rabat Local Council is actively following up on these cases and is taking all necessary steps to safeguard the Council's interests. One of the cases has progressed to the Tribunal at the Law Courts, where the matter is being addressed through the appropriate legal process. In relation to the other case, the Council has been requested to accept and pay a financial correction. However, Rabat Local Council has not accepted the proposed financial correction and has never signed or otherwise agreed to it. The Council therefore maintains its position in this matter and will continue to pursue the case through the appropriate channels with the aim of protecting the Council's financial interests and recovering all amounts legitimately due.
5. CREDITORS 5.1 Long outstanding creditors *Observation and Weakness*	

5.1.1. In response to previous recommendations outlined in the audit management letter, the Local Council undertook various reconciliations with major suppliers and addressed long outstanding creditors. These reconciliations revealed several overstatements originating from prior years, which have been adjusted as detailed below:

Reversed against	Supplier	Eur
Urban Improvements (PPE)	Carmelo Gauci	28,704
Urban Improvements (PPE)	Agius Stoneworks	8,520
Urban Improvements (PPE)	EL Enterprises	5,699
Opening retained earnings	DNP Group	25,368
		68,291

Prior year reinstatements had to be effected to address these old inaccurate balances, as explained in note 10 below.

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.

We are pleased to note that the Auditors have confirmed that proper reconciliations are being carried out by the Council's office.

Following extensive discussions with the relevant suppliers and service providers, together with the Accountant, the Council undertook a detailed review of the outstanding balances. As a result of this exercise, it was concluded that certain amounts previously recorded as outstanding were overstated.

The Council is therefore taking the necessary steps to ensure that the balances reflected in its accounting records accurately represent the amounts genuinely due and payable.

Unfortunately, Rabat Local Council was unsuccessful in the case involving Synthesis Management Services Ltd and, as a result, was required to settle the associated expenses and costs arising from the proceedings.

	The Council has duly recognised and accounted for these costs in its financial records
Recommendation 5.1.2. We recommend that the Council implements a formal and systematic process for supplier reconciliations, to be conducted on a regular basis. 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. We acknowledge that the Local Council has already started taking steps in this direction through implementation of better control procedures.	Rabat Local Council recognises that the back-office function is currently operating without an additional member of staff, a position that has remained vacant since the resignation of a former back-office employee in 2024. The Council acknowledges that the additional staffing resource would strengthen the back-office function and facilitate the carrying out of more frequent and regular reconciliations, as recommended by the Auditors. The Council will continue to assess its staffing requirements and explore the possibility of strengthening the back-office team, subject to the applicable approvals and available resources.
5.2 Supplier reconciliations	

Weakness 5.2.1. During our review of transactions relating to the Dar Rabtin project, we noted that following a reconciliation exercise with actual works performed by the contractor, Cieffe Projects, several credit notes were issued during 2025 to adjust for amounts previously invoiced. We further noted that the Council resolved, during its meeting held on 25 September 2025, to impose contractual fines amounting to € 88,556 on the contractor and to offset these fines against amounts due to the contractor. However, no written confirmation or agreement from the contractor was made available to support acceptance of the proposed set-off arrangement. At year-end, no further payments had been effected to the contractor and a balance of € 78,915 remained outstanding. The absence of formal written agreement may expose the Council to potential disputes regarding the validity and enforceability of the offsetting arrangement and the outstanding balance due.	The decision of the Council to impose the contractual fines is final, as these were imposed following an established breach of the contractual obligations by the Supplier. The Council understands that the Supplier has accepted the set-off of the fines against amounts otherwise due, as the Supplier has neither contested the decision nor submitted any statement indicating that there are outstanding amounts due to it in respect of the matter. Accordingly, the Council considers the matter to have been appropriately addressed in accordance with the terms and conditions of the contract. .
Recommendation 5.2.2. We recommend that the Council obtain formal written confirmation from contractors whenever amounts due are intended to be offset against penalties, credit notes, retention monies, or other deductions. Such agreements should clearly outline the amounts involved and be retained as	

part of the supporting documentation. Furthermore, the Council should ensure that outstanding balances with contractors are regularly reconciled and formally confirmed to minimize the risk of disputes and to ensure the accuracy of financial records. It is not advisable for such balances to be carried forward from year to year without appropriate action. Furthermore, we recommend legal advice should be sought on the matter.	A written confirmation from the Supplier would, of course, be the ideal and preferred form of documentation. However, the Supplier has not contested the fines imposed by the Council, nor has the Supplier submitted any formal objection or claim in relation to the amounts set off. In the circumstances, the Council considers the absence of any contestation as an indication that the Supplier has accepted the contractual consequences arising from the failure to honour the binding provisions of the contract. Nevertheless, the Council recognises that obtaining written confirmation would provide a clearer and more robust audit trail and will seek to formalise the position wherever possible.
Weakness 5.2.3. A reconciliation carried out with DNP Group revealed omitted invoices amounting to approximately € 15,674 and omitted credit notes of € 7,912 relating to grass-cutting and handyman services provided to the Council during 2025. These invoices were not recorded in the Council's accounting	The issue concerning the grass-cutting works arose because the Local Council did not consider the works to have been satisfactorily

records and had to be adjusted during the audit process following the submission of a revised supplier statement by the contractor. The omission indicates weaknesses in the Council's creditors' reconciliation procedures and in the monitoring of work orders against invoices received. The recurrence of invoices being received and recorded after year-end has resulted in prior-year adjustments, increasing the risk of liabilities being understated and financial statements not reflecting a complete and accurate position at year-end. *Recommendation* 5.2.4. We recommend that the Council strengthen its creditor reconciliation procedures by performing regular reconciliations between supplier statements, work orders, service completion records, and invoices recorded in the accounting system. Particular attention should be given to services rendered close to year-end to ensure that all related liabilities are accrued and recognised in the correct accounting period, irrespective of when the supplier's invoice is received. Furthermore, the Council should establish a process for periodically reviewing outstanding work orders and obtaining supplier statement confirmations to ensure that all services provided are appropriately billed, recorded, and reflected in the financial statements.	undertaken and, consequently, was initially contemplating withholding payment. It is important to note that these works were carried out through a direct order. A tender for the relevant services had previously been issued, in which DNP submitted the lowest quotation. However, for reasons relating to the procurement process and the Council's considerations at the time, the contract was not awarded to DNP. As stated previously, the non-payment of the related invoices was not an omission or oversight on the part of the Council. Rather, it resulted from a deliberate reconsideration of the amounts claimed. DNP was already engaged by the Council under a separate recurring monthly handyman contract, and the Council considered that the grass-cutting activities in question formed part of the handyman's contractual duties and should therefore not have been treated as additional works or overtime. The Council was fully aware of the outstanding invoices. However, given the circumstances outlined above and the uncertainty regarding the contractual basis for the additional charges, the Council was not in a position to proceed with payment until the

	matter had been properly assessed and clarified. In the case of DNP, the relevant works orders were never produced or presented together with the quotations submitted for the Council's consideration. This was an important factor in the Council's assessment of the invoices and the decision to seek further clarification before proceeding with payment. In the case of Cieffe, the circumstances were different, as the Architect had certified each invoice prior to payment. This certification provided the necessary professional verification that the works invoiced had been carried out and were in accordance with the relevant requirements. The Council therefore considers that the two cases should be distinguished based on the

	supporting documentation and certification available in each instance.

6. OTHER CREDITORS *Weakness* 6.1. 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, a discrepancy of € 1,206 was adjusted for against other income by the Local Council.	Prior to each deposit into the Other Entity Account, the Council carries out a reconciliation exercise to verify and confirm the amounts being deposited. The bank account used for this purpose is the BOV account MT26VALL22013000000040011047261, which serves as the dedicated bank account for custodial monies, as previously agreed. This procedure ensures that custodial funds are properly identified, reconciled and kept separate from the Council's operational funds, thereby strengthening the controls over such monies.
Recommendation 6.2. We recommend that the Council should carry 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 being applied to this effect.	This is primarily a matter of differences in interpretation or agreement with the respective entities, rather than an issue

	concerning the reconciliation of the amounts themselves. Rabat Local Council confirms that third-party monies are being kept separately from the Council's operational funds and are appropriately accounted for. The Council also recommends that Government considers investing in a dedicated software solution that would facilitate the recording, tracking and reconciliation of third-party and custodial monies. Such a system would significantly reduce the current administrative burden and the laborious manual processes involved, while providing a more efficient, transparent and reliable method of managing these funds.
7. ACCRUALS AND PREPAYMENTS *Weakness* 7.1. The Local Council failed to account for the following accruals and prepayments: - Accruals of € 615 in relation to works on Public Conveniences;	The two accruals relating to the public convenience and the Municipal maintenance agreement were inadvertently omitted from the Council's year-end accounting records.

- Prepayments of € 3,540 in relation to maintenance agreements for electrical installations.	The Council acknowledges the omission and will ensure that the necessary adjustments are made so that the related expenditure is properly recognised in the appropriate accounting period.
Recommendation 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.	Rabat Local Council is making every effort to ensure that all relevant accruals are identified and properly recognised in its financial records. The Council is committed to strengthening its year-end procedures so that all income and expenditure relating to the relevant financial period are appropriately accounted for. This will ensure that the financial statements provide a more accurate and complete representation of the Council's financial position at the reporting date.
REVENUE	

8.1. General income *Weakness* 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 € 2,270 arose, as illustrated below: Permits As per Online System € 48,433 As per nominal ledger € 50,703 Difference € (2,270) 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 providing a more robust audit trail for all transactions.	Rabat Local Council is currently investigating the approximately 4% variance identified in relation to these transactions. The Council is also working towards establishing a more robust audit trail to ensure that the transactions can be properly traced, verified and reconciled. The Council notes that, based on the nature of the variance, its proper recognition should have resulted in a more favourable position in the Nominal Ledger and, consequently, in the related bank balance. The matter is therefore being examined further to establish the precise cause of the variance and to ensure that any necessary accounting adjustments are made.
Recommendation 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 online system with the income recorded in the accounting system to ensure accuracy and completeness at all times.	Rabat Local Council has discontinued the use of manual receipt books, and all revenue streams are now recorded directly in the accounting system and reflected in the Nominal Ledger. This electronic recording process strengthens the Council's financial controls, improves the traceability of transactions and provides a more reliable audit trail for all revenue received.
Weakness *8.1.3.* A reconciliation of assistance transactions with Regjun Punent revealed that assistance due to the Rabat Local Council was understated by € 2,082. The Council confirmed that the assistance was not accepted by Regjun Punent and, consequently, a credit note was issued to reverse the amount. *Recommendation* *8.1.4.* We recommend that regular reconciliations be carried out with the Regional Council to ensure that transactions and balances are consistently reconciled and accurately reflected in both parties' records. Any discrepancies identified should be promptly investigated and resolved.	Rabat Local Council takes this opportunity to express its sincere appreciation to Reġjun Punent for its continued financial support and assistance to the Council. This support has been particularly valuable in initiatives relating to Art, Heritage and Culture, as well as various cleaning and environmental improvement projects. The Council greatly values this collaboration, which contributes significantly to the

<table>
<tr><td></td><td>enhancement of Rabat and the quality of life of its residents and visitors</td></tr>
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DEBIT TRANSACTIONS

9.1. Procurement Guidelines

Weakness

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

Detail	Supplier	Date	Amount
Sand, cement, inspection cover	Il-Fajsu	04/08/2025	1143.1
Signs	B. Grima & Sons	16/04/2025	1368.80
Supply of signs and road humps	B. Grima & Sons	03/07/2025	2154.68
Supply of signs and road humps	B. Grima & Sons	23/07/2025	2181.82
Weed cutting - Bahrija non urban roads	Gauci Grezzju	06/03/2025	3792.00
Grass cutting Sta Katerina & Imtahleb	Vella Luke	16/07/2025	2832.00
Guarantee- Appeal No 33/2022/1 Sysnthesis vs KLR	Daniel Aquilina	11/08/2025	2395.00
Legal services re drafting & filing of appal vs Synthesis	Sladden Ray	06/08/2025	2146.30
Food and Beverage for Jum Ir-Rabat 2025	Dolceria Appetitosa	05/09/2025	2182.55
Production of features - Jum ir-Rabat 2025	Levent Studio	09/09/2025	3368.9

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In Rabat, Il-Fajsu is a supplier of inspection covers and is a known source for this type of specialised item. One may recall the incident in Għajn Qajjet, where an inspection cover was stolen, creating an immediate safety hazard for pedestrians and road users.

In such circumstances, the Council must act urgently to eliminate the safety risk and cannot reasonably allow the hazard to remain while waiting for the time required to obtain three quotations.

The Council considers that such exceptional and unforeseen circumstances justify taking prompt action, while ensuring that the decision and the reasons for proceeding are properly documented and retained for audit purposes.

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Barries for horse races	TEC Limited	07/04/2025	2808.4
AV equipment Hire - Dar ir-Rabtin	GEN Audio	16/01/2025	3846.80
Truss, lighting and Video Minn Pjazza ghal Pjazza	Nexos Lighting	12/07/2025	3960.08
Design and animators for Minn Pjazza ghal Pjazza	Twist Events	01/07/2025	10360.99
box with event logos	The Sign Factory	12/09/2025	2773.00
Actors, Mics, Scripts (for Breakfast with Santa event)	Twist Events	30/12/2025	5855.75
Carnival animation package	Sandan Ltd	03/03/2025	4720.00
Jazz Quartet - Rabat Sacrum 2025	Galea Dominic	30/09/2025	2065.00
Site Co-ordination - Rabat Sacrum 2025	Events Malta	22/09/2025	3840.00
Printing of 9 Large Totem Posters for Rabat Sacrum 2025	Visual Ads	10/10/2025	2973.60
Ambience lighting for Rabat Sacrum 2025	Audio Systems	22/10/2025	5310.00

Further to the above, no requests for quotations or tenders were issued for the legal counsel of Rabat Local Council. The Council has been appointing the same lawyer for a number of years.



This situation also applies to traffic signs that go missing, particularly in rural areas where signs may be stolen, damaged or otherwise removed. In such circumstances, the Council is required to act promptly to replace the missing signs, particularly where their absence may create a risk to road users and public safety.

With regard to grass and weed cutting, particularly in rural and potentially dangerous areas, the Local Council faces considerable difficulty in finding contractors willing and suitably equipped to undertake such works. Certain locations involve confined spaces, difficult access and elevated health and

	safety risks, such as the area around Għar Dwieb in l-Imtaħleb. In these circumstances, the Council must take into consideration not only the availability of contractors but also their ability and willingness to undertake the works safely. The nature and location of such works can significantly limit the number of contractors available and may require the Council to act pragmatically to ensure that necessary maintenance is carried out without compromising public safety or the safety of the workers involved.
Recommendation 9.1.2. 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.	

9.2. Rent expense *Weakness* 9.2.1. While performing audit procedures, we noted that the Local Council recorded a rent expense amounting to € 36,396 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. - Further, it was noted that the 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.	Rabat is one of the localities where the availability of suitable properties is particularly limited. It is extremely difficult for the Local Council to rent or purchase suitable premises in Rabat, due to the very limited property stock and the high prevailing prices. The Council currently makes use of a yard for the storage of paving materials, as well as the rented premises situated next to the Municipal building at 7, Triq l-Isptar. With regard to the latter premises, the Friars requested an additional amount in connection with the existing rental agreement. The Council was placed in a difficult position, as failure to agree to the additional cost would have resulted in the possible loss of the premises. Given the limited availability of alternative suitable properties in Rabat, the Council considered it necessary to agree to the revised rental terms in order to retain the premises.

	The arrangement was subsequently supported and further discussed with the Friars during the current year, including consideration of a further increase in the rental cost. The Council continues to manage this matter with due consideration to the availability of alternatives, operational requirements and the financial implications for the Council.
Recommendation 9.2.2. 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. 9.2.3. 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, even through an addendum to the contract.	Rabat Local Council is reviewing its lease contracts in accordance with the requirements of IFRS 16 – Leases, to the best of its knowledge and based on the information and documentation available. Where the review has identified the need to clarify or update the existing contractual arrangements, the Council is working with the respective landowners to prepare the necessary addenda to the lease agreements. This exercise is intended to ensure that the Council's lease arrangements are properly documented and appropriately reflected in its

	accounting records in accordance with the applicable accounting requirements.

Contracts *Weakness* 9.3.1. During our audit testing, it was noted that the following tender have expired: - Architectural services provided by MED Design Ltd; and - Contractual Services for Public conveniences offered by Mr Paul Borg.	Rabat Local Council intends to issue a tender for the provision of architectural services and the opening and maintenance of the public convenience situated in College Street, Rabat. The tender will establish the appropriate arrangements for the provision of these services and ensure that the public convenience is properly maintained and kept accessible for use by the public. .
Recommendation 9.3.2. 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.	Rabat Local Council is of the opinion that maintaining the existing contracts has enabled the Council to continue benefiting from favourable and competitive prices for services, works and supplies. Nevertheless, the Council recognises the importance of ensuring that its contractual

	arrangements are robust, transparent and fully compliant with the applicable procurement requirements. Accordingly, the Council is in the process of reviewing and strengthening its contracts, with the aim of minimising the possibility of disputes or challenges before the Public Contracts Review Board (PCRB). This approach seeks to balance the need to obtain value for money with the requirement to maintain sound procurement procedures and legally robust contractual arrangements. .
10. PRESENTATION OF FINANCIAL STATEMENTS *Weakness* 10.1. 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. 10.2. In addition, various reclassification adjustments were reflected at audit level.	There is always a need for the financial statements to be thoroughly reviewed before they are presented to the general public, with the objective of ensuring that they are accurate, complete and free from errors or material omissions.

	Nevertheless, reclassification adjustments are an almost inevitable part of the financial reporting process, particularly where transactions require further analysis or clarification as part of the year-end review and audit process. The Council remains committed to ensuring that any necessary adjustments are properly identified, documented and reflected in the final financial statements, thereby providing the public with a clear and reliable representation of the Council's financial position.
Recommendation 10.3. 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.	Rabat Local Council's Accountant prepares the financial statements in accordance with the applicable International Financial Reporting Standards (IFRSs). The shortcomings identified during the audit process were unintentional and arose from genuine errors in the preparation and classification of certain accounting entries. They were not the result of any deliberate

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<td>action or intention to misstate the Council's financial position.

The Council welcomes the Auditors' observations and is committed to addressing the matters identified and strengthening its accounting procedures and internal controls to minimise the possibility of similar errors occurring in future financial reporting periods.</td>
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<td>11. PRIOR YEAR ADJUSTMENTS

11.1. During the year under review, the Council took action and investigated long outstanding suppliers' balances and passed the necessary prior year adjustments, as follows:

<table>
<tr><th>Reversed against</th><th>Supplier</th><th>Ref</th><th>Eur</th></tr>
<tr><td>Urban Improvements (PPE)</td><td>Carmelo Gauci</td><td>(a)</td><td>28,704</td></tr>
<tr><td>Urban Improvements (PPE)</td><td>Agius Stoneworks</td><td>(b)</td><td>8,520</td></tr>
<tr><td>Urban Improvements (PPE)</td><td>EL Enterprises</td><td>(c)</td><td>5,699</td></tr>
<tr><td>Opening retained funds</td><td>DNP Group</td><td>(d)</td><td>25,368</td></tr>
</table>
(a) In relation to Carmelo Gauci, it was noted that the works were never done and charged, and in fact the supplier confirmed nothing was due.</td>
<td>(i) We are very pleased to note that the Auditor have recognised the work undertaken by Rab Local Council in investigating and reviewing the long-outstanding suppliers' balances.
(ii) It was important for the Council to establish a clear and accurate picture of the amounts genuinely due and payable. Following the investigations and supporting documentation reviewed, the following matters were clarified:
(iii) Carmelo Gauci – the works for which the amounts had been recorded were, in fact, never rendered.</td>
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(b) In relation to the balance with Agius Stone Works and EL Enterprises, it is to be noted that the works had not been certified, and consequently suppliers agreed for amounts to be reversed. (c) In relation to DNP Group detailed reconciliation was effected by the accountant. The accountant noted that there were invoices which were included in DNP statement but not in accounts; whilst others which were included in RLC accounts but not in statement. At year-end balance is reconciled. Nonetheless a prior-year reinstatement had to be effected to reflect the net adjustments as follows: - An amount of € 16,483 pertaining to 2023 - An amount of € 8,885 pertaining to 2024 (d) As a consequence of the above adjustments, accumulated depreciation brought forward was overstated by € 11,246, including reversal of current year depreciation charge of € 2,870, with remaining amounts of € 8,376 pertaining to prior years and adjusted against opening reserves. (e) In addition, the Council had received a credit note of € 60,007 against the 5% retention money in relation to works carried out of a capital nature which was omitted from the accounting system. A prior-year adjustment was reflected to account for the said credit note against Property, Plant and Equipment.	(iv) Agius Stone Works – the amounts were reviewed against the certifications issued in connection with the restoration works, ensuring that the balances reflected the works properly certified. (v) DNP Group – following the outcome of the investigation, new balances were established to reflect the amounts actually due. (vi) Depreciation charges – the resulting figures relating to prior-year depreciation charges were identified and appropriately considered in the review. (vii) Retention money – the credit note relating to retention money was duly received and noted by Rabat Local Council and taken into consideration in determining the appropriate balance. (viii) The Council considers that this exercise has significantly improved the accuracy of the suppliers' balances and provided a clearer and more reliable basis for their presentation in the financial statements.

12. CONCLUSIONS	
12.1. Various improvements have been noted during the year under review in relation to the record keeping of the Council's accounting systems, despite still a number of audit adjustment were effected at audit level. Continuous efforts should be implemented towards ensuring that better attention is given in relation to cut-offs of transactions and correct classifications of balances.	Rabat Local Council is very pleased to note the Auditors' observation that "various improvements have been noted" during the course of this audit.
12.2. 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, including making adequate use of Capital grants. Furthermore, procurement regulations should be adhered to at all times.	As reiterated throughout this response, wherever the Auditors considered that an adjustment was necessary, the Council accepted the proposed adjustments and raised no objection, with the aim of ensuring that the financial statements accurately reflect the Council's financial position.
12.3. 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.	Rabat Local Council is continuously working to improve its operations and to ensure the optimum and most effective use of public funds. At the same time, the Council must be able to respond promptly to genuine emergencies and unforeseen circumstances. Where there is insufficient time to obtain the required quotations, particularly in situations involving public safety, urgent repairs or essential services, the Council may have no practical option but to address the immediate issue and procure the necessary goods or services from the open market, while

	ensuring that the circumstances and decisions are properly documented. The Council recognises the importance of maintaining robust procedures and will continue to strengthen its internal controls and procurement practices. However, these procedures must also allow the Council to respond effectively to urgent situations without compromising the interests of residents or public safety. Rabat Local Council takes this opportunity to thank the Auditors for their constructive assistance and recommendations and for contributing towards the development of an appropriate action plan aimed at further improving the execution and management of works and services for the benefit of the community.