

## FINDINGS ARISING FROM 2024 AUDIT

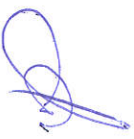
WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	LOCAL COUNCIL REPLIES
<p><b>1. PROPERTY, PLANT AND EQUIPMENT</b></p> <p><b>1.1. Fixed Asset Register</b></p> <p><i>Weakness</i></p> <p>1.1.1. Despite the fact that the Council has taken the necessary measures to compile a fixed asset register, it is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset. Further, the 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 in the nominal ledger to balances held in the fixed asset registry. We have noted that the difference between the accounting system and the fixed assets module is € 29,630. This understatement is noted in the fixed assets module and needs to be analysed further.</p>	<p>As stated by the auditors measures were taken during the year on the sage system to address this issue and as a Council we will continue to implement other measures to incorporate the integration of the plant register within the general ledger.</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</p>	

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




<p>register implementation process is discussed in detail with the IT service provider and the accountant in charge, in order to adapt the necessary software for the needs of the Council and incorporate the integration of the plant register within the general ledger.</p>	
<p><b>1.2. Reclassification of capital expenditure</b></p> <p><i>Weakness</i></p> <p>1.2.1. During our testing of the professional fees, we have noted that there were architect fees of € 11,597 in relation to Howard Garden Project and Pavement Works Project, which are still in progress. These costs have been expensed outright into the income statement, and have been reallocated to the Property, Plant and Equipment at audit level, to reflect their capital nature.</p>	<p>Comment noted and necessary adjustment posted in the updated financial statements.</p>
<p><i>Recommendation</i></p> <p>1.2.2. It is highly recommended that the reclassification of capital assets and corresponding capital grants are properly evaluated for the disclosure of balances. Incorrect classification of assets will lead to distorted financial results.</p>	

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## 2. TRADE AND OTHER RECEIVABLES

### 2.1. LES Debtor

#### Weakness

2.1.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 36,077 which is fully provided for in the accounts, and which was agreeing with the balance as per the LES Report 622 generated from the Logus system. However, the movement during the year of € 734 was not accounted for correctly since the decrease in the provision on the LES debtor was reflected incorrectly against the LES debtor rather than being shown properly as a decrease in provision for doubtful debts with a corresponding bad debt write off for unrecovered balances.

With regards to the LES Pre-regional contraventions, it is to be noted that this is a recurring issue on which the Council has no control. All LES pre-regional contraventions are fully provided for and thus any funds recovered which were previously provided for will be disclosed as income in the income statement. The Council does not have control on Logus (third party) systems, and we just disclose the values of Report LES622 as at year end.

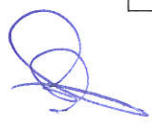
#### Recommendation

2.1.2. We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences with the LES system. It is essential that any write-offs are discussed at council meetings for their approval and matters communicated to the accounting officers to reflect any "bad debt write-offs" as appropriate.




<p><b>2.2. Accrued income</b></p> <p><i>Weakness</i></p> <p>2.2.1. We noted that income in relation to maintenance and restoration of decorative lights receivable through grants under Mdina Rehabilitation Project to the value of € 2,000 were omitted. We had to account for these contributions in the income statement with corresponding balances in accrued income.</p>	<p>Noted. These were erroneously slipped by an oversight when preparing the financial statements</p>
<p><i>Recommendation</i></p> <p>2.2.2. We recommend that proper reconciliations are carried out to ensure that no omitted entries are left unattended, thereby, resulting in understated revenue amounts and corresponding receivables.</p>	
<p><b>3. ACCRUALS</b></p> <p><b>3.1. Accrued rent on Mdina Administration Office</b></p> <p><i>Weakness</i></p> <p>3.1.1. We have noted that despite the absence of a formal agreement for leasing of the premises from the Lands Department, the Council has been accruing rent for the last five years at € 2,000 per annum. This amount has been accumulating for the last 5 years without this being confirmed with the Lands Department. Furthermore, the council was advised in the past to reverse</p>	

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outstanding amounts prior to the five-year period since this could be considered as time-barred.

During 2024, further legal guidance has been obtained whereby it was advised that a period of ten years should be provided for. Consequently, the rental charge for the year under review, and corresponding accruals have been increased by a further € 10,000. As a result, rental costs for the year are not comparable with those of previous year in the financial statements.

We had taken legal advice from our lawyers who had stated that amounts would be time barred after 5 years. With regards to the administration offices please note the auditor's comment about the absence of a proper rental agreement is an issue which the Council had already replied in previous management letters and unless the Lands Authority heeds to our concerns as the Council has done its utmost to have this in place without any response from the Authority, this will continue to be singled out by the auditor's.

According to the Council, it was given the premises by the Department of Local Government in 1994 with no lease agreement being made at the time. When the Vilhena Palace was taken by Heritage Malta, the latter stated that the administrative office forms part of the Vilhena Palace. This was always denied by the Local Council and eventually Heritage Malta never insisted on this claim.

*Recommendation*

3.1.2. We recommend the Council to seek clear clarification on the matter as to the prescription period and also to formalise a contract between the Lands Department and the Council at the earliest. The amounts outstanding for the period 2015 to 2024 are not being paid and were not even verified. It is

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<p>essential that clarifications are obtained on the matters since balances for periods pertaining to pre-2015 were also written off.</p>	
<p><b>4. REVENUE</b></p> <p><b>4.1. General income</b></p> <p><i>Weakness</i></p> <p>4.1.1. During our audit fieldwork, while performing our audit testing between the total receipts issued from the Council's online portal permit system and the total income recorded in the accounting system, an overall difference of € 1,947 has resulted. This evidently shows that the online permit system is not updated ongoingly and reconciled to the accounting system leading to discrepancies.</p> <p><i>Recommendation</i></p> <p>4.1.2. We recommend that a receipt is issued from the Council's online portal permit system for each specific income, and that the Council regularly reconciles the receipts issued from the online portal system with the income recorded in the accounting system to ensure accuracy and completeness of amounts.</p>	<p>Every effort is being made to reconcile the receipts issued from the online portal system with the income recorded in the accounting system.</p>
<p><b>4.2 LES Administration Fee</b></p> <p><i>Weakness</i></p>	

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<p>4.2.1. Whilst performing a proof-in-total test between the total LES administrative fee as per the LES Report 483 – LESA Tickets generated from the Loqus system, and the total income recorded in the financial statements, it was noted that the amount in the financial statements was overstated by € 280. We did not propose an audit adjustment to correct this discrepancy, because no proper reconciliation is being carried out with the LESA system.</p> <p><i>Recommendation</i></p> <p>4.2.2. We recommend that the Council regularly reconciles the income recorded in the accounting system with the LES Report 483 to ensure accuracy and completeness.</p>	<p>The Council has taken note of the auditor's recommendation</p>
<p><b>5. DEBIT TRANSACTIONS</b></p> <p><b>5.1 Rent</b></p> <p><i>Weakness</i></p> <p>5.1.1. No formal agreement is in place between the Council and the Lands Authority for the rental of the Administration Offices in 'Corte Capitanale' amounting to € 2,000 per annum.</p>	<p>As per point 3.1</p>
<p><i>Recommendation</i></p> <p>5.1.2. We recommend that the Local Council adheres to the Memo 13/2013 issued by the Department of Local Government which highlights the importance that</p>	

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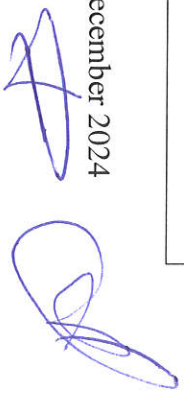


<p>contracts in place should not be expired. We also recommend that the Council continues to chase for an updated contract to be in place as soon as possible.</p>	
<p><b>5.2. Waste disposal and domestic refuse</b> <i>Weakness</i></p> <p>5.2.1. During our testing of the expenditures and reconciliation of balances against the books of Regjun Punent, we have noted that waste disposal and refuse collection costs have been overstated by € 253 in Council's accounting records. An adjustment has been reflected to reverse this overstatement against the creditor balance.</p> <p><i>Recommendation</i></p> <p>5.2.2. We recommend that the Council ensures correct classification of balances and accurate accounting of transactions, particularly with other related entities. Ongoing reconciliations should be carried out with Regjun Punent, so the Council will ensure that transactions are a mirror reflection of the related entity books of accounts. Additionally, implementing measures to enhance the review and approval process for recording transactions can help prevent similar errors in the future.</p>	<p>Matter has been noted and adjustments accounted for in the updated FS</p>
<p><b>6. PAYROLL AND HUMAN RESOURCES</b></p> <p><b>6.1. New Collective agreement</b> <i>Weakness</i></p>	

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<p>6.1.1. The Council has not reflected the required provisions and/or disclosures in relation to the new Collective agreement for clerical staff within Local Councils and Regional Councils. In view of the fact that by the time of the audit, no approval of workings had as yet been attained by the Council, a contingent liability note has been included at audit level, to disclose appropriately the potential impact on the financials.</p>	<p>The Council has taken note of the auditor's recommendation</p>
<p><b>7. PRESENTATION OF FINANCIAL STATEMENTS</b></p> <p>7.1. Various reclassification adjustments have been reflected as per below:</p> <ul style="list-style-type: none"> <li>- Repairs and upkeep costs of € 11,573 have been reclassified from Public property;</li> <li>- Repairs and upkeep costs of € 4,484 have been reclassified from experts costs;</li> <li>- Engineering services of € 1,062 have been reclassified from legal services</li> <li>- IT Development costs of € 2,419 have been reclassified from Office Furniture and Equipment;</li> <li>- Telecommunications of € 1,166 have been reclassified from Office Services;</li> <li>- Other reclassifications were affected in relation to income.</li> </ul>	<p>Noted. All matters raised by the auditors were reclassified as suggested, although as a fact, a reclassification just transfers the cost from one nominal code to the other and thus its effect is negligible, if not inexistent.</p>
<p><i>Recommendation</i></p> <p>7.2. It is recommended that the Council regularly reviews the accounting work in liaison with the accountant to ensure accuracy and completeness of the Councils' records.</p>	

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



<b>8. CONCLUSIONS</b>	
<p>8.2. We have noted that good internal procedures are being instilled by the Council. The Council and its employees should continue to strive to achieve a good control environment by ensuring that optimum use of public funds.</p> <p>8.3. 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>Noted with thanks</p>



**Peter Sant Manduca**  
Mayor



**Mark Mallia**  
Executive Secretary