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. Despite the fact that the Council has taken the necessary measures to compile a fixed asset register on excel, it is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset register. 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 € 75,367, which increased from previous year. This understatement is noted in the fixed assets module and needs to be analysed further. No improvement was noted in this respect.	**We will continue to strive and implement other measures to incorporate the integration of the plant register within the general ledger**
Recommendation 1.1.2. We strongly believe that the implementation of the fixed asset register should be kept on an appropriate software and should be synchronised	

within the accounting system. We recommend that the fixed asset register 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. This same recommendation was pointed out last year and remained unattended.	
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 Loqus system. However, the movement during the year of € 1,385 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. This same situation was encountered last year.	**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 Loqus (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 with appropriate movements in the correct nominal amounts.	

2.2. Accrued income *Weakness* 2.2.1. We noted that income in relation to the Medieval Mdina Festival activity receivable through grants under Directorate for local government to the value of € 5,000 were omitted. We had to account for these contributions in the income statement with corresponding balances in accrued income.	**Noted. These were erroneously slipped by an oversight when preparing the financial statements**
Recommendation 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.	
3. Prepayments *Weakness* 3.1.1. During our review, we noted that certain IT-related service costs pertaining to the financial year 2026 were incorrectly recorded in the financial year 2025. Specifically, an amount of € 1,062 relating to live streaming services and € 900 relating to CCTV SIM card services, both applicable to 2026, were included in 2025 expenses. This treatment results in an overstatement of expenses for the year 2025 and a corresponding understatement of expenses for the year 2026, indicating a cut-off error in the recognition of service costs rendered.	**The Council has taken note of the auditor's recommendation**

Recommendation 3.1.2. Management should ensure that expenses are recognized in the correct accounting period in accordance with the accrual basis of accounting. We recommend implementing stronger cut-off procedures at year-end, including reviewing supplier invoices and service periods, to ensure that only costs relating to the relevant financial year are recorded. Additionally, periodic reconciliation and review of prepaid costs should be performed to prevent similar misstatements in the future.	
4. CASH AND CASH EQUIVALENTS **4.1. Unpresented cheques** *Weakness* 4.1.1. During the audit of Mdina Local Council, it was noted that several cheques issued between 28 April 2025 and 23 June 2025 remained unpresented as at the date of the audit. The outstanding cheques relate to the following: Bulky refuse services (August–December 2024) — € 209 Ironmongery items — € 488 Re-enactment services – Medieval Mdina — €1,500 Total unpresented cheques amounted to € 2,197. As these cheques have remained outstanding for an extended period, they are considered stale cheques. The continued inclusion of stale cheques within the bank reconciliation may result in inaccuracies in the	**The Council has taken note of the auditor's recommendation and will make sure that the bank reconciliations remain accurate and up to date**

Council's cash balances and liabilities, and may indicate weaknesses in the monitoring and follow-up of long outstanding payments.	
Recommendation 4.1.2. We recommend that management perform regular reviews of unpresented cheques, investigate long outstanding items promptly, and take appropriate action such as cancelling and reissuing cheques where necessary. In addition, stale cheques should be cleared timely from the accounting records following proper approval procedures to ensure that bank reconciliations remain accurate and up to date.	
5. ACCRUALS **5.1. Accrued rent on Mdina Administration Office** *Weakness* 5.1.1. We have noted as in previous year, 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 ten years at € 2,000 per annum. According to the legal guidance obtained in 2024, it was advised that a period of ten years should be provided for the use of the premises. In 2025 no further rental charges will be incurred for the use of the Mdina Administration office.	**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 5.1.2. 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, stipulating the agreed terms and values. The amounts outstanding for the period 2016 to 2025 are not being paid and were not even verified. It is essential that clarifications are obtained on the matters since balances for periods pertaining to pre-2015 were also written off.	
6. REVENUE **6.1. General income** *Weakness* 6.1.1. 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 € 1,423 has resulted. This evidently shows that the online permit system is not updated ongoingly and reconciled to the accounting system leading to discrepancies.	**Every effort is being made to reconcile the receipts issued from the online portal system with the income recorded in the accounting system.**
Recommendation 6.1.2. 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.	

6.2 LES Administration Fee *Weakness* 6.2.1 Similar to previous year, 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 € 562. We did not propose an audit adjustment to correct this discrepancy, because no proper reconciliation is being carried out with the LESA system.	**The Council has taken note of the auditor's recommendation**
Recommendation 6.2.2 We recommend that the Council regularly reconciles the income recorded in the accounting system with the LES Report 483 to ensure accuracy and completeness.	
DEBIT TRANSACTIONS	
7.1 Rent *Weakness* 7.1.1 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. This has been capped, and no further rent was provided for in view of the fact that the contract is not in place.	**As per point 5.1**

Recommendation 7.1.2 We recommend that the Local Council adheres to the Memo 13/2013 issued by the Department of Local Government which highlights the importance that 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 and that the council reports the matter to the DLG to take the necessary action.	
7.2 Contract of service renewals *Weakness* 7.2.1 The council entered into an agreement in 2023 for street sweeping and community cleaning services, with the possibility of extensions up to four years. The service provider invoiced a monthly amount of € 2,616 (including VAT). While the original tender stipulated that the service should be delivered by one employee working 35 hours from Monday to Saturday and 6 hours on Sunday, with rates subject to cost-of-living and government-mandated increases, the invoices submitted did not indicate the actual hours worked. The council also did not maintain attendance or monitoring records. Consequently, it was not possible to verify whether the services were delivered as agreed or whether the additional charges were accurate and justified.	**The Council does not agree with the remarks made by the auditors with regards to the attendance sheet or monitoring records. As stated by the auditors the tender stipulates the number of hours that need to be delivered towards this contract besides that the worker is an employee of the contractor. If there is a city/town that keeps its streets in an impeccable condition is Mdina. With regards to the invoice, the Council has taken note and immediate action has been taken in this regard.**
Recommendation 7.2.2 We recommend that council should ensure that all contracts are formally renewed in a timely manner and include clear terms such as duration, scope of work, and applicable rates. Additionally, effective monitoring	

controls should be implemented, including the maintenance of attendance records and verification of hours worked. Service providers should be required to submit detailed invoices specifying actual hours worked and any adjustments applied, enabling the council to properly validate charges before payment.	
8 PRESENTATION OF FINANCIAL STATEMENTS 8.1. Various reclassification adjustments have been reflected as follows: - Social events costs of € 6,979 have been reclassified from Community services; - Repairs and upkeep costs of € 13,589 have been reclassified from other contractual service; - Repairs and upkeep costs of € 5,381 have been reclassified from other expert costs; - Expert costs of € 449 have been reclassified from repairs and upkeep costs; - Expert costs of € 448 have been reclassified from public property costs; - Social events costs of € 2,792 have been reclassified from Printing; - Social events costs of € 1,145 have been reclassified from other support services; - Telecommunications of € 546 have been reclassified from Other Office Services; - Other Office Services of € 233 have been reclassified from electricity cost; - Telecommunications of € 360 have been reclassified from electricity cost;	**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.**

- Road markings of € 449 have been reclassified from electricity cost;	
Recommendation 8.2 It is recommended that the Council regularly reviews the accounting work and classification in liaison with the accountant to ensure accuracy, classification and completeness of the Councils' records and presentation of expenses.	
9 CONCLUSIONS 9.1 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. 9.2 We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.	**Noted with thanks**

Peter Sant Manduca
Mayor

Mark Mallia
Executive Secretary

Parker Russell Turner
CERTIFIED PUBLIC ACCOUNTANTS & AUDITORS

The Members
Mdina Local Council
Corte Capitanale,
Misrah il-Kunsill,
Mdina
Malta

18 May 2026

Dear Members of the Mdina Local Council,

We have completed our audit of the financial statements of Mdina 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,

Arthur Douglas Turner
Partner - Parker Russell Turner

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- 4 JUN 2026
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