

18<sup>th</sup> August, 2023

Ms Tania Mercieca  
National Audit Office  
Notre Dame Ravelin  
Floriana FRM 1600  
Malta

Dear Ms. Mercieca

**AUDIT REPORT and FINANCIAL STATEMENTS  
PERIOD ENDED 31<sup>st</sup> DECEMBER 2022**

Reference is made to the Management Letter (hereinafter the “Letter”) for the financial period ended 31<sup>st</sup> December, 2022, copy of which is being attached herewith for ease of reference. The Council hereby replies to the salient points mentioned therein in terms of Section P2.06 of the Local Councils (Audit) Procedures 2006.

Johan Mula  
Mayor

Doris Baldacchino  
Executive Secretary

**The Members**  
**Hal Safi Local Council**

40, 'Dar il-Kunsill',  
School Street,  
Hal Safi  
Malta

16 May 2023

Dear Members of the Hal Safi Local Council,

We have completed our audit of the financial statements of Hal Safi Local Council for the year ended 31 December 2022. 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 2022, 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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Deficiencies noted in the course of our audit of the financial statements of the Hal Safi Local Council for the year ended 31 December 2022

**Arthur Douglas Turner**  
**Partner - Parker Russell Turner**

## **PREVIOUS MANAGEMENT LETTER**

During the course of our audit for the year ended 31 December 2022, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

### **i. Accrued income**

We have once again noted shortcoming in accrued income as per note 4 on page 14, since at year end these were again not fully determined.

### **ii. Expenditure**

We have once again noted various inaccuracies in the accrued expenses and prepayments as per note 6 on page 15.

We are pleased to note that we did not identify any issues relating to rent expenses.

### **iii. Fixed Assets**

We have once again noted shortcoming in the fixed asset register as per note 1 on page 3.

### **iv. Trade and other receivables**

We have once again noted several long outstanding receivables as per note 3 on page 1.

However, we are pleased to note that no difficulties were encountered in verifying debtors balances at year end.

### **v. Trade and other payables**

We are pleased to note that we did not encounter any difficulties in obtaining supplier statements at year end.

We have however, once against noted several long outstanding payables and negative balances in the creditors' list as per note 5 on page 14.

### **vi. Financial statements presentation**

We have once again noted minor shortcomings in the presentation of the unaudited financial statements, as per note 14 on page 26.

Deficiencies noted in the course of our audit of the financial statements of the Hal Safi Local Council for the year ended 31 December 2022



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 INCOME*
5. *CREDITORS*
6. *ACCRUALS AND PREPAYMENTS*
7. *DEFERRED INCOME*
8. *REVENUE*
9. *DEBIT TRANSACTIONS*
10. *PAYROLL AND HUMAN RESOURCES*
11. *FUNDS HELD BY TRIBUNAL COUNCIL*
12. *INFORMATION PROVIDED ON THE PORTAL*
13. *ACCOUNTING SYSTEM*
14. *PRESENTATION OF FINANCIAL STATEMENTS*
15. *CONCLUSIONS*

## FINDINGS ARISING FROM 2022 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 manual system is not integrated with the Fixed asset Module and to the General Ledger of the accounting software. This leads to differences between the total net book value of the fixed asset register with that of the accounting system.</p>	<p>Comments Noted.</p>
<p><i>Recommendation</i></p> <p>1.1.2. We strongly believe that the implementation of the fixed asset register should be kept on an appropriate software and should be synchronised within the accounting system. We recommend that the fixed asset register implementation process is discussed in detail with the IT service provider and the accountant in charge, in order to adapt the necessary software for</p>	<p>Comments noted. Will be discussing same with IT. service provider and Accountant.</p>

<p>the needs of the Council and incorporate the integration of the plant register within the general ledger.</p>	
<p><b>1.2. Classification of Transactions</b></p> <p><i>Weakness</i></p> <p>1.2.1. During our audit procedures, we noted that there were capital expenses relating to architectural costs amounting to € 7,478; engineering costs amounting to € 7,847; and office furniture costs amounting to € 990 which were incorrectly accounted for within administrative expenses. These were capitalised at audit level. Furthermore, in view of this the depreciation charge was understated by € 74, which was also adjusted for at audit level.</p>	<p>Comments noted and as indicated in the report the Local Council has approved the audit adjustment and adjustment has been incorporated in the Audited Financial Statements.</p>
<p><i>Recommendation</i></p> <p>1.2.2. We recommend that more attention is affected in the updating of accounting records to segregate properly between revenue expenditure and capital expenditure. Further, we recommendation that the classification of the assets being purchased is identified in terms of the following categories:</p> <p>(a) Assets purchased in terms of IAS 16 Property, Plant and Equipment;</p> <p>(b) Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and</p>	<p>The Local Council notes the auditors' recommendations to ensure that accounting records are segregated between revenue expenditure and capital expenditure and action to be taken.</p>

(c) Assets under development and not yet brought to use.																									
<p><b>1.3. Fixed Assets Additions</b></p> <p><i>Weakness</i></p> <p>1.3.1. During our audit fieldwork on the fixed assets additions, some irregularities were noted whereby the Local Council did not obtain any quotations for the following acquisitions:</p> <table border="1" data-bbox="300 638 1361 1246"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Project Management Services - Gnien ta Ball</td> <td>Josef Zahra</td> <td>08/02/2022</td> <td>3,811</td> </tr> <tr> <td>Construction of Olive Tree Roundabout</td> <td>Vidi Ltd</td> <td>30/06/2022</td> <td>3,540</td> </tr> <tr> <td>4 Flag Poles</td> <td>Studio Seven</td> <td>12/04/2022</td> <td>1,473</td> </tr> <tr> <td>Grates for water reservoirs at Sir Alexander Ball</td> <td>E&amp;L Enterprises Limited</td> <td>30/06/2022</td> <td>1,176</td> </tr> <tr> <td>Various tasks inc traffic managements, bus routes, Piazza design</td> <td>Dr. Antoine Zammit</td> <td>28/09/2022</td> <td>7,847</td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Project Management Services - Gnien ta Ball	Josef Zahra	08/02/2022	3,811	Construction of Olive Tree Roundabout	Vidi Ltd	30/06/2022	3,540	4 Flag Poles	Studio Seven	12/04/2022	1,473	Grates for water reservoirs at Sir Alexander Ball	E&L Enterprises Limited	30/06/2022	1,176	Various tasks inc traffic managements, bus routes, Piazza design	Dr. Antoine Zammit	28/09/2022	7,847	<p>Comments noted.</p>
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<p><i>Recommendation</i></p> <p>1.3.2. 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. Furthermore, for any purchases exceeding € 5,000 but not exceeding € 10,000, a quotation through the EPPS should be issued.</p>	<p>The Local Council notes the auditors' recommendations regarding the procurement guidelines 2017 issued by the Department for Local Government.</p> <p>Kindly please be advised that obtaining at least three signed quotations for purchases exceeding €50 up to €5,000 is sometimes difficult to obtain, as even though we send for quotes most suppliers do not even bother to reply with quote.</p>
<p><b>1.4. Capital Grants</b></p> <p><i>Weakness</i></p> <p>1.4.1. During the year 2022, the Council received a Grant amounting to € 45,831 in relation to the refurbishment of the Gnien Alexandar Ball, for which costs were incurred partly in 2021 and partly in 2022. Nonetheless, no proportion of the grant was accounted for in the previous year. Consequently, the total grants accounted for as 'received' during the year, exceed the total additions incurred during the year, in view of the said under-provision in previous year audit. We recommend that a prior year adjustment is affected to include the grant pertaining to 2021 in the correct financial period.</p>	<p>Comments noted however as explained during Audit, EU project grants are very difficult to define their outcome as these projects are audited by ARPA and obtaining the full amount is near impossible. Penalties for EU projects can vary from 25% to 50%.</p> <p>Also please note that todate I have not been provided with the actual amount I will be</p>

<p>1.4.2. Similarly, during 2019, the Council received approval for a Grant amounting to € 57,012 in relation to the Rubble Wall Project, for which costs were incurred partly in 2021 and partly in 2022. Half of the grant amounting to € 28,506 was received in 2020, and this was included in the deferred income. Nonetheless, during 2021, an adjustment had to be affected to reclassify the grant received from deferred income to capital grants included within Property, Plant and Equipment. This adjustment has been omitted in 2021 and has been reflected during 2022.</p> <p>1.4.3. During 2021, the Council received approval for a grant pertaining to the Accessibility and Mobility Scheme which was issued by Department of Local Government and amounting to € 15,275. Out of these funds, the Council received the amount of € 11,456 in 2021 which were properly deferred since the works were not as yet commenced. Nonetheless during 2022, works of € 7,478 relating to architectural costs were incurred and therefore, an adjustment was affected to reclassify part of the deferred grant against such capital cost.</p>	<p>receiving.</p> <p>Comments noted and as indicated in the report The Local Council has approved the audit adjustment and adjustments have been incorporated in the audited financial statements</p>
<p><i>Recommendation</i></p> <p>1.4.4. Proper classification of Grants is crucial in line with the capital costs incurred, in order to ensure that the Matching Concept is being adhered to. Wrong classifications can lead to inaccurate depreciation costs and incorrect cut-offs.</p> <p>1.4.5. We recommend that Bill of Quantities are prepared for each capital project, to ensure that proper costings are made prior to embarking on new projects. In addition, proper classification of supplier invoices, including the correct</p>	<p>The Local Council notes the auditors' recommendations to ensure that proper classification of grants is made in line with the capital cost incurred.</p> <p>The Local Council notes the auditors Recommendations that Bill of Quantities are Prepared for each capital project to ensure that</p>

<p>details of project, need to be obtained and recorded, so that the Council has accurate information available at any given time. This is even more important in relation to projects which are part-financed through Government Grants, and which should be accounted for in separate nominal accounts.</p>	<p>proper costings are made.</p>
<p><b>2. CASH IN HAND AND AT BANK</b></p> <p><b>2.1. Petty Cash</b></p> <p><i>Weakness</i></p> <p>2.1.1. During our audit fieldwork, it was noted that cash in hand pertaining to Permit receipts amounting to € 990, and receipts from LESA with regards to the current contraventions' administration fee amounting to € 280 were excluded from the financial statements. An adjustment was affected to this effect with the corresponding entry being against income and against debtors control account respectively.</p>	<p>Comments noted and as indicated in the report the Local Council has approved the audit adjustment and adjustments have been incorporated in the audited financial statements</p>
<p><i>Recommendation</i></p> <p>2.1.2. We recommend that a cash count is carried out on a frequent basis prior to amounts deposited in the company's bank accounts, and a cash reconciliation is documented and kept by the Council. We suggest that more control is carried out to ensure that cash in hand agrees to cash amounts in the accounting records at all times.</p>	<p>The Local Council notes auditors' recommendations and we will be ensuring that more control is carried out to ensure that cash in hand agrees to cash amounts in the accounting records.</p>

<p><b>2.2. Treasury Management</b></p> <p><i>Weakness</i></p> <p>2.2.1. We have noted that while the Council has bank balances of € 216,022 as disclosed under note 14 in the financial statements, these are not being segregated between operational and capital bank accounts depending on their purpose.</p> <p>2.2.2. Further, included within the same note there is a bank balance of € 69,574 with a caption namely 'LES deposits account' however this does not represent the balances received on behalf of LESA or the Lands Department which should be refunded back.</p>	<p>The Local Council is taking note and bank Balances are to be segregated between operational and capital bank accounts.</p> <p>The LES deposits account carrying a bank Balance of €69,574 is a dormant account, hence a Local Council resolution is to be taken during Local Council meeting in order to close this account.</p> <p>Moreover bank balance of €11,014 is also a dormant account, but rather than also closing This account a Local Council resolution is to be Taken during Local Council meeting in order to utilise this account in order to segregate between operational and capital bank accounts.</p>
<p><i>Recommendation</i></p>	

<p>2.2.3. We recommend that better treasury management procedures should be implemented by the Council to disclose the bank accounts depending on their nature, while also making optimum use of public funds, in line with the Budget Management of the Council.</p> <p>2.2.4. We also recommend that as per the Directive 5/2020, the Council should open a bank account with the name 'LC Other Entities Account' so that the Council can deposit funds and subsequently transfer funds to the appropriate entity. It is important to bear in mind that these funds are not funds of the Local Council.</p>	<p>The Local Council takes note of auditors' recommendations however please note that the Local Council had a dormant account, and rather than opening a new account we are making use of same in order to transfer funds to other entities.</p>														
<p><b>3. DEBTORS</b></p> <p><b>3.1. Long Outstanding Debtors</b></p> <p><i>Weakness</i></p> <p>3.1.1. During our audit testing, we noted that the Council's debtor list includes the following balances which have been outstanding for more than one year:</p> <table border="1" data-bbox="300 1066 1357 1377"> <thead> <tr> <th>Debtor</th> <th>€</th> </tr> </thead> <tbody> <tr> <td>Dimbros</td> <td>200</td> </tr> <tr> <td>GreenPak</td> <td>42</td> </tr> <tr> <td>Innovations Limited</td> <td>368</td> </tr> <tr> <td>Joe Cachia</td> <td>168</td> </tr> <tr> <td>Local Governmen Dept</td> <td>60</td> </tr> <tr> <td>Magic Clean Discount Detergent Shop</td> <td>42</td> </tr> </tbody> </table>	Debtor	€	Dimbros	200	GreenPak	42	Innovations Limited	368	Joe Cachia	168	Local Governmen Dept	60	Magic Clean Discount Detergent Shop	42	<p>Comments noted.</p>
Debtor	€														
Dimbros	200														
GreenPak	42														
Innovations Limited	368														
Joe Cachia	168														
Local Governmen Dept	60														
Magic Clean Discount Detergent Shop	42														

Marlon Balzan	21	
Projekte Global Limited	200	
Tower ironmongery	84	
Waste Serv Malta Ltd	118	
	<b>1,303</b>	
<p><i>Recommendation</i></p> <p>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.</p>		<p>The Local Council shall be reviewing these overdue receivables for recoverability or else if it is no longer valid or no longer recoverable the Local Council would approve in a council meeting to make a specific provision or write off.</p>
<p><b>3.2. Negative Balances</b></p> <p><i>Weakness</i></p>		

<p>3.2.1. During our audit testing, we noted that the Council's debtor list included a negative balance pertaining to Regjun Nofsinar amounting to € 91. No reclassifications were done at audit level regarding this balance.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>3.2.2. We recommend that the Council investigates such negative balances and reclassify to other creditor if necessary.</p>	<p>The Local Council takes note of auditors recommendations and will be investigating this negative balance.</p>
<p><b>3.3. LES Debtor</b></p> <p><i>Weakness</i></p> <p>3.3.1. We have noted that the Council has a debtor balance relating to LES Pre-Regional contraventions amounting to € 78,709 which is fully provided for in the accounts, and which was reconciled during the year according to the LES Report 622 generated from the Loqus system, through an adjustment effected by the Local Council. This adjustment should have been confirmed by the Council during the monthly Council Meetings. In addition, we could not obtain clear understanding of the movements effected during the year.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p>	

<p>3.3.2. We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences with the LES system. In addition, an exercise needs to be carried out on the LES Pre-Regional contraventions to understand whether such amounts are recoverable or otherwise. If these amounts are irrecoverable, we propose that the Council should consider reversing the provision and accounting for the amounts as 'bad debts write-offs'. A disclosure note is also required to bring this matter to the attention of the Council, and every effort should be made to get the necessary directions from the Department of Local Government.</p>	<p>Auditors' recommendations noted. Will be asking for the necessary directions from the Department of Local Government in order to see the best way forward.</p>
<p><b>4. ACCRUED INCOME</b></p> <p><i>Weakness</i></p> <p>4.1. During our audit fieldwork, we noted that the Council failed to record accrued income pertaining to the following:</p> <ul style="list-style-type: none"> <li>• Financial assistance for the 2022 Christmas Scheme received by the Department of Local Government amounting to € 2,358;</li> <li>• Financial assistance for the Distribution of flyers received from the Regjun Punent amounting to € 122;</li> <li>• Financial assistance for the Accessibility and Mobility Scheme received from the Department of Local Government amounting to € 3,819 was reversed from current income since the project has not yet been finalized;</li> </ul>	<p>Comments noted and as indicated in the report the Local Council has approved the audit adjustment and adjustments have been incorporated in the Audited Financial Statements.</p>



<p>An adjustment was affected at audit level to account for the above transactions.</p>	
<p><i>Recommendation</i></p> <p>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.</p>	<p>The Local Council notes the auditors' recommendation to ensure that any income is # to be accounted for.</p>
<p><b>5. CREDITORS</b></p> <p><b>5.1. Long outstanding creditors</b></p> <p><i>Weakness</i></p> <p>5.1.1. During our audit testing, we noted that the Council's creditor list includes a balance of Go plc amounting to € 271 which has been outstanding for more than one year.</p>	<p>Comments noted</p>
<p><i>Recommendation</i></p> <p>5.1.2. We recommend that the Council reviews this amount and, either settles it if still due, or else reverses it after having obtained approval from the Council.</p>	<p>The Local Council acknowledge auditors recommendations and this amount is to be reviewed during local council meeting in order to decide the way forward.</p>

<p>Furthermore, decisions and discussions regarding this balance should be included in the Councils' meeting minutes.</p>	
<p><b>5.2. Other Creditors</b></p> <p><i>Weakness</i></p> <p>5.2.1. During our audit testing, we noted that other creditors pertaining to MCCF Deduction plus Sundry amounting to € 312 and Net Wages amounting to € 170, were still outstanding from the previous year with no movement being recorded for the year.</p> <p>5.2.2. Further, other creditors pertaining to the funds received from the Community Inclusive Employment Scheme (CIES) for the employment of people with disability amounting to € 2,937 was accounted for. The CIES funded the Council the total employee's wage for the year 2022, however the employee was let go in May 2022. Consequently, funds should be refunded immediately.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>5.2.3. We recommend that the Council reviews these amounts and settles them as soon as possible. Furthermore, decisions and discussions regarding these balances should be included in the Councils' meeting minutes.</p>	<p>The Local Council notes auditors' Recommendations. This amount is to be reviewed in order to discuss settlement of same.</p>

<p><b>6. ACCRUALS AND PREPAYMENTS</b></p> <p><i>Weakness</i></p> <p>6.1. We have noted the following weaknesses in accounting for accruals and prepayments:</p> <ul style="list-style-type: none"> <li>• Water and electricity accruals were understated by € 1,119. An adjustment was affected at audit level;</li> <li>• Communication accruals were understated by € 109. An adjustment was affected at audit level;</li> <li>• IT Development accruals were understated by € 620. An adjustment was affected at audit level;</li> <li>• Accountancy accruals were understated by € 225. An adjustment was affected at audit level;</li> <li>• Software subscription prepayments were understated by € 288. An adjustment was affected at audit level;</li> <li>• During our audit fieldwork, it was noted that insurance and rental prepayments were understated by € 157 and € 25 respectively. An adjustment was affected at audit level.</li> </ul>	<p>Comments noted and as indicated in the report the Local Council has approved the audit adjustment and adjustment has been incorporated in the financial statements.</p>
<p><i>Recommendation</i></p>	

<p>6.2. We recommend that a procedure is in place to ensure that invoices relating to goods or services hovering around the year end, are properly verified to ensure that these are accounted for in the correct period. Failing to do so could result in the understatement of assets and liabilities at the year end.</p>	<p>The Local Council notes auditors' recommendations. Unfortunately at year end we are always working under pressure with many activities, however will be trying to do our best to improve in the coming years.</p>
<p><b>7. DEFERRED INCOME</b></p> <p><i>Weakness</i></p> <p>7.1. During our audit fieldwork, we noted that the Council failed to record the deferred income relating to the Financial assistance received by Ambjent Malta for the Greening Urban Area, amounting to € 4,526, This was removed from current income and reclassified as deferred income, since the work was not yet commenced.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>7.2. We recommend that the Council's books of accounts should be recognised on an accrual basis, whereby any income pertaining to the current year, irrespective of whether they were received or not, should be accounted for in order to ensure completeness of income.</p>	<p>The Local Council will be doing our utmost to inform accountant with any income received and not utilised in current year to remember to classify it as deferred income.</p>
<p><b>8. REVENUE</b></p>	

<p><b>8.1. General income</b></p> <p><i>Weakness</i></p> <p>8.1.1. During our audit fieldwork, while performing a proof-in-total test between the total receipts issued from the Council's online permit system and the total income recorded in the accounting system, an overall difference of € 213 arose, representing income which was received by the Council but for which a receipt has not been issued from the online system.</p>	<p>Comments noted</p>
<p><i>Recommendation</i></p> <p>8.1.2. Although the discrepancy is not substantial, we recommend that a receipt is issued from the Council's permits online system for each specific income, and that the Council regularly reconciles the receipts issued from the system with the income recorded in the accounting system to ensure accuracy and completeness.</p>	<p>Kindly please note that we are still encountering certain difficulties when payments are being done through apcopy in order to effect reconciliation.</p>
<p><b>8.2. LES Administration Fee</b></p> <p><i>Weakness</i></p>	

<p>8.2.1. Whilst performing a proof-in-total test between the total LES administrative fee as per the LES Report 483 – LESA Tickets generated from the Loqus system, and the total income recorded in the financial statements, it was noted that the amount in the financial statements was overstated by € 504. 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>Comments noted.</p>										
<p><i>Recommendation</i></p> <p>8.2.2. We recommend that the Council regularly reconciles the income recorded in the accounting system with the LES Report 483 to ensure accuracy and completeness.</p>											
<p><b>9. DEBIT TRANSACTIONS</b></p> <p><b>9.1. Procurement Guidelines</b></p> <p><i>Weakness</i></p> <p>9.1.1. During our audit fieldwork on the debit transactions, the following irregularities were noted:</p> <table border="1" data-bbox="302 1217 1359 1305"> <thead> <tr> <th>Detail</th> <th>Supplier</th> <th>Date</th> <th>Amount</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Detail	Supplier	Date	Amount	Notes						
Detail	Supplier	Date	Amount	Notes							

Road Humps in various roads	Koperattiva, Tabelli u Sinjali	09/03/2022	673	(a)	
Road Markings in various roads	Koperattiva, Tabelli u Sinjali	02/03/2022	669	(a)	
Maintenance on 4 Doors at Local Council	Stephen Felice	09/07/2022	1,982	(b)	
Irrigation works on System & Electrical Works	Gardania Gardening & Landscaping	17/10/2022	2,121	(b)	
Mini Excavation in front of LC, Trees Removal & Hiring of Skip	Godfrey Sammut	03/08/2022	1,764	(a)	
Video on demand service - Jul 21 to Jun 22	Correct Termination Limited	01/01/2022	1,239	(a)	
Organiser & Ghana Sessions	Events Malta	15/06/2022	1,130	(b)	
Hire of trackless train for Qamar il-Ghasel	Malta Funtrains	14/06/2022	1,180	(b)	
Artistic Director Services - Christmas Concert 2022	Ryan Mercieca	19/12/2022	1,770	(b)	
Food - Ikla Anzjani 18.12.22	Pinto Caterers	18/12/2022	2,024	(b)	

Deficiencies noted in the course of our audit of the financial statements of the Hal Safi Local Council for the year ended 31 December 2022

Lights, Heaters, etc.. for Christmas Concert 17.12.22	Thunder Beat	23/12/2022	2,617	(b)	Comments noted.
<p>(a) The Council did not obtain any quotations.</p> <p>(b) The Council only obtained one quotation from the selected supplier.</p>					Comments noted.
<p>9.1.2 Further, it was noted that the Council is paying the national insurance contributions of an individual engaged as a Handyman, namely Mr. Ronnie Barber. These NI contributions are paid over and above the actual cost as per the agreement. This resulted in an additional expense of € 1,694 being incurred by the Council.</p>					<p>Although NI Contribution for Mr Ronne Barber has been paid over the actual cost in previous years as from January 2023 the Local Council has refrained from paying Mr Ronnie Barber's NI contributions.</p>
<i>Recommendation</i>					<p>The Local Council notes auditors' recommendations however it is not always possible to obtain the required three quotations as most suppliers do not even acknowledge receipt of our request for quotations.</p>
<p>9.1.3 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government, the Council should obtain at least three signed quotations for purchases exceeding € 50 up to € 5,000 unless, for purchases exceeding € 50 but not € 500, a direct order approved by the Executive Secretary is issued.</p>					



<p><b>9.2 Expired Contracts</b></p> <p><i>Weakness</i></p> <p>9.2.1. In relation to the tender for Street Sweeping and Cleaning of the Locality of Hal Safi awarded to Innovative Project Limited, the contract has expired in 2020. Nevertheless, this contractor has continued to provide services to the Local Council under the same conditions.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>9.2.2. It is recommended that the Council monitors very closely the expiry dates of contracts in place with suppliers. The Council should re-issue another tender, once the stipulated period included in the previous tender document has expired.</p>	<p>Auditors recommendations noted however the Local Council has issued this particular Tender for three times. The first and second Times, tender had to be cancelled as tenders submitted were not financially compliant. This year we have re-issued this contract and tender was awarded and new contractor has already commenced work as from 1/6/2023.</p>
<p><b>10. PAYROLL AND HUMAN RESOURCES</b></p> <p><i>Weakness</i></p>	<p>Comments noted.</p>

<p>10.1. During our audit fieldwork, we noted that the Executive Secretary's car allowance for the years 2020, 2021 and 2022 was being partly included within untaxed fringe benefits. However, the total amount of untaxed fringe benefits for the year was overstated by € 330. The maximum amount of untaxed fringe benefits should not exceed € 1,170 annually.</p> <p>10.2. Further, it was noted that the untaxed fringe benefits were not included in the Executive Secretary's FS3 or in the Council's FS7. This resulted in FSS declarations being understated by € 1,500 when compared to wages in the nominal ledger.</p>	<p>Kindly please note this was the first year that the executive secretary has been paid the untaxed fringe benefits for car allowance.</p> <p>The Local Council makes use of Databyte Fusion in order to issue the payroll and the report is generated through the system.</p>
<p><i>Recommendation</i></p> <p>10.3. We recommend that reviews are performed to ensure that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commissioner for Revenue. Furthermore, we recommend that an adjustment form is submitted to rectify FSS declarations for 2022.</p>	<p>The Executive Secretary has logged in a Support ticket with databyte to tackle this Problem in order to arrange FS3 and FS7 For Executive Secretary and in order not to be repeated this year.</p> <p>Adjustment form will be sent to inland revenue as soon as dataybyte sorts out this problem.</p>
<p><b>11. FUNDS HELD BY THE TRIBUNAL COUNCIL</b></p> <p><i>Weakness</i></p>	

<p>11.1. During past years, the Council was part of a Tribunal Council, which was managed by seven Local Councils, one of which was the Hal Safi Local Council. Funds held by the Tribunal Council as at 22<sup>nd</sup> October 2021 amounted to € 43,134, which funds were to be equally distributed between the seven Councils as agreed unanimously by the respective Councils on 3<sup>rd</sup> February 2023. Consequently, since such income has not yet been approved by the Department of Local Government, the balance of € 6,162 was not accounted for in the financial statements.</p>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>11.2. We recommend that the Council continues to follow up on the matter with the Department of Local Government for the final approval of the funds. Further, we recommend that proper controls should be in place to reduce the number of adjustments being affected at audit level, which could also lead to a delay in the audit process.</p>	<p>Auditors' recommendations noted. Will be following up on the matter with the Department of Local Government for the final approval of funds.</p>
<p><b>12. INFORMATION PROVIDED ON THE PORTAL</b></p>	

<p><i>Weakness</i></p> <p>12.1. Whilst checking the Local Council’s portal on the Local Government website, we have noted that the Council has failed to upload the following documents within the required time frame, in accordance with Memos 36/2011 and 01/2014, particularly for the following:</p> <ul style="list-style-type: none"> <li>• Council meeting minutes 10/22 and 12/22;</li> <li>• Unaudited financial statements of the year ended 31 December 2022;</li> <li>• Council replies to the management letter for the year ended 31 December 2021; and</li> <li>• Quarterly reports from January to March, April to June, July to September and October to December.</li> </ul>	<p>Comments noted.</p>
<p><i>Recommendation</i></p> <p>12.2. We recommend that the Council uploads all documents in pdf format within the required time for each specific report as per the Local Government (Financial) Regulations.</p>	<p>The auditors’ recommendations noted and will be doing our utmost to upload within the required time frame for each specific report.</p>

13. ACCOUNTING SYSTEM	
<p><i>Weakness</i></p> <p>13.1. The following main deficiencies were noted in the accounting system of the Council:</p> <ul style="list-style-type: none"> <li>• Capital grants were not reflected correctly in the accounting system;</li> <li>• Deferred and accrued income is not being completely reflected;</li> <li>• Other adjustments had to be reflected to account for Accruals and prepayment which were omitted from the accounting system;</li> <li>• Reclassification was done to record separately the annual funds received from the Department for Local Government which do not pertain to funds as per the Article 55 of the Local Council Act;</li> <li>• Various reclassifications between the administrative expenses and income have been affected at audit level following audit testing and scrutinization of the nominal ledger;</li> <li>• Opening accruals relating to the performance bonus of the community workers and the Christmas expenses were not included in the previous year. This resulted in current year expenses being overstated by € 2,140.</li> </ul> <p>Many of the above weaknesses will provide incomplete and limited management information to the Council and will impact the presentation of the accounts. Lack of information will distort financial results and will not</p>	<p>Comments noted</p> <p>.</p>

<p>provide management with accurate financial information in order to base its operational decisions.</p>	
<p><i>Recommendation</i></p> <p>13.2. It is recommended that the Council regularly reviews the accounting work in liaison with the accountant to ensure accuracy and completeness of the Councils' records.</p>	<p>The Local Council notes auditors' recommendations and will be reviewing the accounting work in liaison with the accountant.</p>
<p><b>14. PRESENTATION OF FINANCIAL STATEMENTS</b></p> <p>Weakness</p> <p>14.1. The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU.</p>	<p>Comments noted.</p>
<p>Recommendation</p> <p>14.2. We recommend that the Local Council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.</p>	<p>Recommendations noted.</p>

<p><b>15. CONCLUSIONS</b></p> <p>15.1. More controls should be instigated to improve the level of efficiency within the Council. The Council should also analyse employees' work efficiencies to ensure that optimum use is made of public funds.</p> <p>15.2. We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.</p>	<p>The Local Council kindly accepts the auditors assistance in order to come up with an action plan in order to address the above mentioned weaknesses.</p>
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Johan Mula  
Mayor

Doris Baldacchino  
Executive Secretary