

**The Members**  
**Siggiewi Local Council**  
18, St Nicholas Square,  
Siggiewi SGW 1073,  
Malta

4 June 2025

Dear Members of the Siggiewi Local Council,

We have completed our audit of the financial statements of Siggiewi Local Council for the year ended 31 December 2024. Our audit is primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation.

Our aim is to offer guidance to the Council such that it would be in a better position to improve its internal controls, enhance its book-keeping function and consolidate its overall governance. We would like to point out that, in accordance with the Local Councils Act (CAP 63) 1993 and the Local Council (Financial Regulation) 1993, it is the responsibility of the Executive Secretary of the Local Council to ensure that a proper system of internal control is in operation to ensure that the proper accounting, recording and handling of financial operations are in place to safeguard the Local Council's assets at all times. For this reason, this document is of particular relevance to the Local Council's Executive Secretary.

The matters dealt with in this report, came to our notice during the conduct of our audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the Council. In consequence our work did not encompass a detailed review of all aspects of the systems of control but that of obtaining an understanding of the controls which are in place, on the basis of which, we design our audit procedures. For this reason, this report cannot be relied upon to necessarily disclose other defalcations or other irregularities which may exist, had a specific and more extensive assignment for this specific purpose been commissioned.

Our engagement obliges us to distribute copies of this report to the Council Members. Consequently, this report, in part or in full, may not be distributed, used or quoted except for the scope it is prepared, without our prior written consent, unless such disclosure is required by Law.

During the course of our audit for the year ended 31 December 2024, we examined the principal documents, systems and controls applied by the Council, to help it ensure, in so far as it is possible, far as possible, the accuracy and completeness of the accounting and to safeguard the assets of the Council.

In order to facilitate your responses to the deficiencies we noted in the course of our audit, have been presented these shortcomings in columnar form. On the left hand side of the document we specify the weaknesses and the recommended courses of action. On the right 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 2024, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

**i. Property plant and equipment**

We have once again noted shortcoming in the property, plant and equipment as per note 1 as on page 3.

**ii. Trade Receivables and Joint Committee**

We have once again noted shortcoming in the trade receivables and joint committee as per note 2 as on page 9.

**iii. Prepayments**

We are pleased to note that we did not find any shortcomings in prepayments.

**iv. Accrued income**

We have once again noted shortcoming in the accrued income as per note 3 as on page 10.

**v. Cash at bank**

We are pleased to note that we did not find any shortcomings in respect of cash at bank.

**vi. Trade payables**

We have once again noted shortcoming in the trade payables as per note 4 as on page 11.

**vii. Deferred income**

We have once again noted shortcoming in the deferred income as per note 5 as on page 12.

**viii. Debit transactions**

We have once again noted shortcoming on debit transactions as per note 7 as on page 14.

**ix. Revenue**

We have once again noted shortcoming in the revenue as per note 8 as on page 17.

**x. Payroll and human resources**

We have once again noted shortcoming in the payroll and human resources as per note 9 as on page 19.

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



**x. Payroll and human resources**

We have once again noted shortcoming in the payroll and human resources as per note 9 as on page 19.

**xi. Prior year adjustments**

We are pleased to note that we did not note passed any prior year adjustment.

**xii. Bookkeeping and accounting issues**

We have, once again noted, that accrued income was not properly recognised as per note 10 on page 20.

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



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. *TRADE RECEIVABLES AND JOINT COMMITTEE*
3. *ACCRUED INCOME*
4. *TRADE PAYABLES*
5. *DEFERRED INCOME*
6. *THIRD PARTY TRANSACTIONS*
7. *DEBIT TRANSACTIONS*
8. *REVENUE*
9. *PAYROLL AND HUMAN RESOURCES*
10. *BOOKKEEPING AND ACCOUNTING ISSUES*
11. *ANNUAL BUDGET*
12. *OTHER MATTERS*
13. *CONCLUSIONS*

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



WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	SIGGIEWI 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, we noted that the system is manual and is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset. Furthermore, the manual system is not integrated with the Fixed asset Module and to the General Ledger of the accounting software.</p> <p>1.1.2. We have noted the below differences between the net book value in the financial statements and the net book value in the fixed assets registrar as follows:</p>	<p>1.1 and 1.1.2 The council affords the necessary and available resources to maintain an updated FAR. Whilst the council acknowledges the recommendations of the auditors, namely 1.1.4, 1.1.5 and 1.1.6, it notes, like it has done previous years, that for the council to maintain full compliance with LC Regulations and relative accounting standards, it requires more resources.</p>





Asset	Net book value as per unaudited financial statements	Net book value as per fixed assets registrar	Difference
Office furniture	€ 9,662	€ 9,709	€ (47)
Office equipment	1,972	1,514	458
Urban Improvements	64,026	146,793	(82,767)
Special Programme	150,968	818,612	(667,644)
resurfacing	226,628	976,628	(750,000)

The difference are in relation to prior year audit adjustments passed which were not reflected in the Fixed Asset Register.

1.1.3. The above differences resulted in incorrect calculation of depreciation. Depreciation is being worked out on the Fixed Asset Register balances and consequently depreciation charged in the Income statements was overstated as follows:

1.1.3 The council thanks the auditors for the proposed adjustment which has now been reflected in the accounts.

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

Asset	Depreciation as per audited financial statements	Depreciation as per unaudited financial statements	Difference
	€	€	€
Office furniture	1,448	1,448	-
Office equipment	(687)	274	961
Urban Improvements	37,667	31,996	(5,671)
Special Programme resurfacing	145,600	76,380	(69,220)
	184,028	110,098	(73,930)

We have proposed the above differences as audit adjustments to the financial statements and these were approved.


*Recommendation*

1.1.4. We highly recommend maintaining the fixed asset register digitally by employing suitable software tools. It is essential to synchronise this register within the accounting system for better control and to prevent similar situations as noted above.

1.1.4, 1.1.5 and 1.1.6 The council would have no objection to conducting the necessary review of all its assets spread across the locality and take stock of the assets conditions, subject to the council being afforded more resources.

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



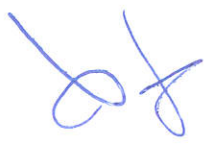


<p>1.1.5. It is highly advisable to engage in thorough discussions with your IT service provider and the responsible accountant in order to affect the synchronisation of the fixed asset module within the nominal ledger.</p> <p>1.1.6. Furthermore, any discrepancies between the net book value of assets as indicated in financial statements and the fixed assets register should be thoroughly investigated and rectified after these are verified. It is also important that ongoingly spot checks are carried out to ensure the condition of the assets and to provide for any necessary impairment.</p>	
<p><b>1.2. Classification of transactions and recognition of grants</b></p> <p><i>Weakness</i></p> <p>1.2.1. We also noted that during 2024 the Local Council was given back funds on the Measure 4.3 (Road Resurfacing) and Measure 4.4 (Restorations of Rubble Walls) of € 62,679 and € 6,385 respectively which were previously held back by ARPA. These amounts have been included with other income in the financial statements instead of being capitalised as grants within property, plant and equipment.</p> <p>1.2.2. We also noted that included with assets under construction there were architect fees incurred in prior year on the family park amounting to € 8,363. This project was abandoned, and we proposed this expense be transferred to the Income statement. This was the only expense incurred on this project.</p>	<p>1.2.1 The council thanks the auditors for the proposed adjustment which has now been reflected in the accounts.</p> <p>1.2.2 The council thanks the auditors for the proposed adjustment which has now been reflected in the accounts.</p>

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

<p><i>Recommendation</i></p> <p>1.2.3. We recommend the Council to identify the classification of the assets being purchased in terms of the following accounting standards:</p> <ul style="list-style-type: none"> <li>- Assets purchased in terms of IAS 16 Property, Plant and Equipment;</li> <li>- Assets leased, and consequently disclosed for the purpose of the leasing arrangements in compliance with IFRS 16 Finance Leases; and</li> <li>- Assets under development and not yet ready for use.</li> </ul> <p>Additionally, it is crucial to differentiate between assets financed through internally generated funds and those funded via grants. Failure to distinguish grant-funded assets will complicate auditors' verification of deferred grants and corresponding depreciation schedules, particularly for prior years.</p> <p>Furthermore, a comprehensive reassessment of all Council-held assets is essential to evaluate their condition and status. Ongoing impairment tests should be conducted, with regular reports prepared to gauge asset conditions. This assessment should encompass all assets within the same transaction class and necessitates updating accordingly.</p>	<p>1.2.3 The council would have no objection to conducting the necessary review of all its assets spread across the locality and take stock of the assets conditions, subject to the council being afforded more resources.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2024



<p>1.2.4. The Local Council is advised to prepare its financial statements under the accrual basis, which involves matching revenues with expenses when they are earned and incurred. This accounting method provides a more accurate representation of the Council's financial position and performance by reflecting all economic activities as they occur, regardless of when cash transactions take place.</p>	<p>1.2.4 The council has been preparing its financial statements under the Accruals basis since when the DLG notified the councils of the change in accounting principles.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiwí Local Council for the year ended 31 December 2024

<p><b>2. TRADE RECEIVABLES AND JOINT COMMITTEE</b></p> <p><i>Weakness</i></p> <p>2.1. We have noted a debtor balance concerning LESA old balances amounting to € 45,262, which is fully provisioned for in our accounts. However, this figure does not align with the balance of € 43,644 reported by LESA. Thus, we have proposed an adjustment of € 1,618 to be allocated for bad debt provisions and write-offs.</p> <p>2.2. Prior to August 31, 2011, all income and expenditure relating to this matter were centralised through the Central Joint Committee. Unfortunately, we haven't been provided with supporting documentation to ascertain whether the Local Council is entitled to receive any additional income.</p>	<p>2.1 and 2.2 The council notes the observations being made by the auditors. For as many years since the Central Joint Committee took over the administration of LESA, the Council has tried to get the necessary information to be able to reconcile what was due in terms of fines and their recoverability. Unfortunately, such information was never made available and has over the years noted this in all of management letter replies. The Council requests the intervention of DLG and central government on this matter.</p>
<p><i>Recommendation</i></p> <p>2.3. We recommend that the Local Council addresses the discrepancies and queries with LESA directly. It is crucial to seek clarification from them regarding the differences in the debtor balance and to obtain any necessary documentation or explanations.</p>	<p>2.3 This issue will be treated with LESA.</p>



<p><b>3. ACCRUED INCOME</b></p> <p><i>Weakness</i></p> <p>3.1. During our audit work we noted that the Local Council did not recognise accrued income amounting to € 7,563 in relation to the completion of ERASMUS+ Programme an amount of € 14,000 in relation to Festa Gheneb 2024 and € 375 in relation to Clean Up activity.</p> <p>3.2. Furthermore, included with other government income there were amounts amounting to € 25,766 which should have been deducted from the opening accrued income since these were in relation to activities performed in 2023 but were received in 2024. These were in relation to the following 2023 schemes:</p> <ul style="list-style-type: none"> <li>• € 10,177 Skema Safety Net 2023</li> <li>• € 4,500 Cultural Activities 2023</li> <li>• € 5,589 Erasmus+ Programme 2023</li> <li>• € 5,500 Regjun Punent 2023 Refund of expenses</li> </ul>	<p>3.1 and 3.2 The council thanks the auditors for the proposed adjustment which has now been reflected in the accounts.</p>
<p><i>Recommendation</i></p> <p>3.3. We recommend that the Local Council adopts a policy of recognizing income when it is earned, rather than when it is received. This approach aligns with the accrual basis of accounting and the matching concept, ensuring that income is accurately matched against the corresponding costs incurred.</p>	<p>3.3 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations.</p>

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

<p><b>4. TRADE PAYABLES</b></p> <p><i>Weakness</i></p> <p>4.1. We have noted that the Local Council has an amount long outstanding with the following trade payables:</p> <table border="1"> <thead> <tr> <th>Supplier's name</th> <th>Euro</th> </tr> </thead> <tbody> <tr> <td>Abakus Solution</td> <td>1,064.36</td> </tr> <tr> <td>Big Friends Guggen Musik</td> <td>1,165.00</td> </tr> <tr> <td>Chris Bezzina</td> <td>450.38</td> </tr> <tr> <td>Foresight Architectural Services</td> <td>2,645.37</td> </tr> <tr> <td>Nicholas Farrugia</td> <td>4,374.26</td> </tr> <tr> <td>Ivan Borg</td> <td>3,822.44</td> </tr> <tr> <td>Liftman Malta Ltd</td> <td>283.2</td> </tr> <tr> <td>Red Agency</td> <td>372.75</td> </tr> <tr> <td>Stefano Sferazzo</td> <td>1,620.00</td> </tr> <tr> <td>Warren Camilleri</td> <td>181.97</td> </tr> <tr> <td>WM Environmental Ltd</td> <td>3,816.60</td> </tr> </tbody> </table> <p>Upon enquiry, we have noted that these pertain to amounts withheld from suppliers due to defaults, invoices received for work that was not carried out, retention guarantees, and adjustments made to invoices.</p> <p>4.2. The Local Council has a balance due to Philip Agius &amp; Sons Ltd amounting to € 10,514. Upon enquiry it transpired that this amount was not settled and was retained by the Local Council for damages incurred by the supplier.</p>	Supplier's name	Euro	Abakus Solution	1,064.36	Big Friends Guggen Musik	1,165.00	Chris Bezzina	450.38	Foresight Architectural Services	2,645.37	Nicholas Farrugia	4,374.26	Ivan Borg	3,822.44	Liftman Malta Ltd	283.2	Red Agency	372.75	Stefano Sferazzo	1,620.00	Warren Camilleri	181.97	WM Environmental Ltd	3,816.60	<p>4.1 and 4.2 Whilst acknowledging the observations of the Auditors in respect of the said supplier, the Council opted to keep the balance on its books in the lack of definitive resolution of outcome between itself and the supplier.</p>
Supplier's name	Euro																								
Abakus Solution	1,064.36																								
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<p><i>Recommendation</i></p> <p>4.3. The Local Council should regularly review any outstanding balances and reconcile them ongoingly. Any long outstanding amounts should be addressed immediately and investigated as to the reason why these are no longer payable. If reversed, this should be approved during council meetings.</p>	<p>4.3 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations to reverse any long outstanding amounts in 2025.</p>
<p><b>5. DEFERRED INCOME</b></p> <p><i>Weakness</i></p> <p>5.1. During our testing of the deferred income, we identified an amount of € 95,148 related to the Eco-Green Project included within other Government Income. Upon enquiry we were informed that this amount represents 60% of the Grant agreement in relation to a Twinning agreement. The project will be done during 2025. This was adjusted correctly at audit level.</p>	<p>5.1 The council thanks the auditors for the proposed adjustment which has now been reflected in the accounts.</p>
<p><i>Recommendation</i></p> <p>5.2. We recommend that the Local Council conducts a comprehensive reconciliation process to ensure accurate accounting for grants received, adhering to the principles and guidelines outlined in "IAS 20 Accounting for Government Grants and Disclosure of Government Assistance". This entails systematically reviewing the grant transactions, verifying their allocation and amortization according to the grant agreement or principles as outlined in IAS 20.</p>	<p>5.2 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations.</p>

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

<b>6. THIRD PARTY DEPOSITS AND PAYMENTS</b>	
<p><i>Weakness</i></p> <p>6.1 We noted that included within permits income there were deposits amounting to € 70,742 in respect of third-party entities being LESA, LANDS, MTA, LEMIS and the Housing Authority. These were in respect of receipts from third parties in respect of fines or licences charged by these entities, and should have been recoded as dues to these entities and not accounted as income of the Local Council.</p> <p>6.2 Similarly, payments to the same entities have been recorded as expenses in the following two nominal ledger accounts and not payments to these entities.</p> <ul style="list-style-type: none"> <li>• € 36,438.11 included in other office services</li> <li>• € 35,698.47 included in LES related expenditure</li> </ul> <p>6.3 This resulted in income and expenditure being overstated in the unaudited income statement and the amounts due to other entities being understated in the unaudited statement of financial position. The net amounts were adjusted for.</p> <p><i>Recommendation</i></p> <p>6.4 Third party transactions should never be accounted as income or expenditure of the Local Council. Such deposits should be accounted in a separate account</p>	<p>6.1, 6.2 and 6.3 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations.</p> <p>6.4 The council takes note of the recommendation raised by the auditors and will look to implement it.</p>

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

<p>under current liabilities as dues to the other entity. Any transfer by the Local Council to these entities for funds received on the other entity's behalf should be deducted from this account.</p> <p>6.5 To facilitate the identification of transactions with other parties we recommend that a separate bank account is opened, and deposits and payments are effected into such account.</p>	<p>6.5 The council takes note of the recommendation raised by the auditors and discuss the possibility of implementing it.</p>																												
<p><b>7. DEBIT TRANSACTIONS</b></p> <p>7.1. <b>Procurement procedures</b></p> <p><i>Weakness</i></p> <p>7.1.1. Whilst verifying debit transactions, it was noted that the Council was not adhering to the Procurement procedures and three quotes were not always being attained. These relate to the following:</p> <table border="1" data-bbox="327 168 1029 1332"> <thead> <tr> <th>Supplier</th> <th>Details</th> <th>Eur</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>Armar Siggiewi</td> <td>Piazza Mdawla Millied</td> <td>3,000</td> <td>[2]</td> </tr> <tr> <td>Lapsi Curet</td> <td>Restawar tal-Momument talOurdes</td> <td>4,900</td> <td>[2]</td> </tr> <tr> <td>Anthony Pace</td> <td>Armar tas-Slaleb Gimgha il-Kbira</td> <td>2,500</td> <td>[2]</td> </tr> <tr> <td>Kazin Banda San Nikola</td> <td>Musical Programs Jum is Siggiewi</td> <td>3,500</td> <td>[2]</td> </tr> <tr> <td>Perit Charmaine Cutajar</td> <td>Estimate of works</td> <td>1,394.76</td> <td>[1]</td> </tr> <tr> <td>MS Advisory Ltd</td> <td>Drafting of Tender</td> <td>1804.40</td> <td>[1]</td> </tr> </tbody> </table>	Supplier	Details	Eur	Note	Armar Siggiewi	Piazza Mdawla Millied	3,000	[2]	Lapsi Curet	Restawar tal-Momument talOurdes	4,900	[2]	Anthony Pace	Armar tas-Slaleb Gimgha il-Kbira	2,500	[2]	Kazin Banda San Nikola	Musical Programs Jum is Siggiewi	3,500	[2]	Perit Charmaine Cutajar	Estimate of works	1,394.76	[1]	MS Advisory Ltd	Drafting of Tender	1804.40	[1]	<p>7.1.1 The council thanks the auditors for noting this shortage and the Council will pursue not to repeat.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiewi Local Council for the year ended 31 December 2024

<p>Noel Borg 4 Fistuni</p> <p>1,840 [1]</p> <p>[1] No quotes were obtained. [2] Only one quote was obtained.</p>	
<p><i>Recommendation</i></p> <p>7.1.2 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. Furthermore, for any purchases exceeding € 5,000 but not exceeding € 10,000, a quotation through the EPPS should be issued.</p>	<p>7.1.2 The council thanks the auditors for noting this shortage and the Council will pursue not to repeat.</p>
<p><b>7.2 Classification of expenses and presentation to the financial statements</b></p> <p><i>Weakness</i></p> <p>7.2.1 During our testing, we have encountered several instances wherein expenses were improperly categorised. This indicates that certain expenditures were not allocated to their respective designated categories or accounts as intended. These are summarised in Appendix II.</p>	<p>7.2.1 and 7.2.2 The council acknowledges that some times communication with its accountants, is not always complete and this leads to misunderstanding and</p>

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






<p><i>Recommendation</i></p>	<p>errors. The Council's accountants rely entirely on information provided by the Council for the correct classification of transactions.</p>
<p>7.2.2 We recommend that the Local Council ensures expenses are recorded under the correct account classification, reflecting the nature of each transaction. This ensures adherence to accounting standards and policies, and provides a clearer representation of the Council's financial activities.</p>	

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

<p><b>8 REVENUE</b></p> <p><b>8.1 Permit fees</b></p> <p><i>Weakness</i></p> <p>8.1.1. We obtained the report issued by the Council's Loqus system and a difference of € 89,485 arose between the amount as per the online system and the nominal ledger. The main difference was the result of other entities' income amounting to € 70,742 accounted as permits income as per Note 6 above. The difference was in respect of income from other activities organized by the Local Council included within permits income. The effect of this is illustrated in the table below:</p>	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">€</th> </tr> </thead> <tbody> <tr> <td>Permits income as per unaudited accounts</td> <td style="text-align: right;">137,326</td> </tr> <tr> <td>Adjustment re other entities income</td> <td style="text-align: right;">(70,742)</td> </tr> <tr> <td>Reclassification of income generated from courses</td> <td style="text-align: right;">(11,159)</td> </tr> <tr> <td>Reclassification of income from end of year race</td> <td style="text-align: right;">(4,650)</td> </tr> <tr> <td>Reclassification of other income re court services</td> <td style="text-align: right;">(2,934)</td> </tr> <tr> <td><b>Income from permits as per system</b></td> <td style="text-align: right;"><b>47,841</b></td> </tr> </tbody> </table> <p>8.1.1 and 8.1.2 The council takes note of the weaknesses raised by the auditors and will look into</p>		€	Permits income as per unaudited accounts	137,326	Adjustment re other entities income	(70,742)	Reclassification of income generated from courses	(11,159)	Reclassification of income from end of year race	(4,650)	Reclassification of other income re court services	(2,934)	<b>Income from permits as per system</b>	<b>47,841</b>
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<b>Income from permits as per system</b>	<b>47,841</b>														

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



*Recommendation*

**8.1.2** We recommend that the Local Council maintains reconciliation of such balances to ensure accuracy, and any variances between the reports and accounts are appropriately explained. Additionally, it is advisable for the Council to distinguish between different income streams and account for them in the correct nominal ledger accounts.

implementing the recommendations

**8.2 LESA Administrative fees***Weakness*

8.2.1 We obtained the LESA Report 483 and a difference of € 4 arose when reconciling these against the amount as per the nominal ledger.

8.2.1 The council thanks the auditors for noting this shortage and the Council will pursue not to repeat

*Recommendation*

8.2.2 We recommend that reconciliation should always be carried out and any discrepancies should be ironed out on an ongoing basis so this should be investigated accordingly.

8.2.2 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations.

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

<p><b>9 PAYROLL AND HUMAN RESOURCES</b></p> <p><b>9.1 Overall Payroll Procedures</b></p> <p><i>Weakness</i></p> <p>9.1.1 We have performed a wages reconciliation between FSS documentation submitted and the wages as per the accounts. Wages in the accounts were understated by € 206. No adjustments were affected to this affect.</p> <p>9.1.2 We have increased wages and salaries by an amount of € 6,015 in relation to increases given to administration employees in view of the new collective agreement signed in January 2025 but effective from 1 January 2024.</p>	<p>9.1.1 The council thanks the auditors for noting this shortage and the Council will pursue not to repeat.</p> <p>9.1.2 The Council would like to point out that the new collective agreement was made after the unaudited accounts were finalized.</p>
<p><i>Recommendation</i></p> <p>9.1.3 We recommend that reviews are performed to ensure that FSS forms are completed properly to ensure that all amounts paid are correctly declared to the Commissioner for Revenue.</p>	<p>9.1.4 The council takes note of the weaknesses raised by the auditors and will look into implementing the recommendations.</p>



**10 BOOKKEEPING AND ACCOUNTING ISSUES**

*Weakness*

<p>10.1 During our audit process, we identified several bookkeeping and accounting issues that required various accounting adjustments. These adjustments are detailed in the Audit Adjustment Sheets, which are provided as Appendices I and II of the Management Letter. In total, we passed 23 audit adjustments including reclassifications.</p>	<p>10.1 The council thanks the auditors for their thorough work and for pointing out the necessary audit adjustments and reclassifications. The council notes that the majority of these adjustments relate to capital expenditure/grants.</p>
<p>10.2 The nature of the deficiencies noted in this area are various and included the following instances;</p> <ul style="list-style-type: none"> <li>• Inability to distinguish between Revenue and Capital Grants;</li> <li>• Matching project costs to relevant income received to support the project - There is a lack of alignment between project costs incurred and the corresponding income received to fund those projects;</li> <li>• Accounting treatment of Government Grants - There is inconsistency on how Government Grants are accounted for, particularly regarding whether they should be accrued or deferred, impacting the recognition of income.</li> <li>• Proper reclassification of income and expense accounts - There are instances where income and expense accounts need to be reclassified to accurately reflect the nature of transactions and ensure proper financial statement presentation.</li> </ul>	<p>10.2 The council generally relies on the experience of its Council Secretary to determine which expenses are Revenue or Capital grant related, and information is than relayed to the Council's accountant for the necessary postings. The Council does not exclude the possibility of an error of judgment in the determination of whether an expense is Revenue or Capital related.</p>

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

<ul style="list-style-type: none"> <li>• Depreciation calculation - Depreciation being calculated on the asset's purchase cost rather than its depreciable value (purchase cost less associated capital grants).</li> <li>• Improper calculation of accrued income, deferred income and accruals</li> <li>• The inclusion as income of the Local Council of other entities funds and the payments to these other entities included as expenses to the Local Council.</li> <li>• We noted a number of incorrect classification that needed to be addressed as per Appendix II.</li> </ul> <p>10.3 The primary risk stemming from inadequate record-keeping and accounting practices is the inability to ensure the completeness and accuracy of accounting records. This poses significant concerns regarding the reliability and correctness of the financial statements presented to the Council.</p>	<p>10.3 The council thanks the auditors for noting this shortage and the Council will pursue not to repeat</p>
<p><i>Recommendation</i></p> <p>10.4 We recommend the Local Council that in order to ensure consistency and accuracy in both transaction entry and financial reporting, it is crucial to pay close attention to detail at every stage of the accounting process. This requires not only diligence in recording transactions accurately but also expertise and competence in preparing financial statements.</p> <p>10.5 We recommend that the Council establishes regular meetings specifically dedicated to reviewing its financial affairs. These meetings provide an opportunity for council members to engage with the accountant, conduct interim reviews of financial information, and proactively address any accounting issues as they arise.</p>	<p>10.4 and 10.5 The council takes note of the recommendations proposed by the auditors and resource permitting it will seek to implement them.</p>

<p>This ongoing dialogue ensures that the Council remains informed about its financial position and facilitates timely decision-making to address any challenges or discrepancies.</p>	
<p><b>11 ANNUAL BUDGETS</b></p> <p><i>Weakness</i></p> <p>11.1 We have conducted a comparison between the audited financial performance of the Local Council and the annual budget prepared for the financial year 2024. Our analysis reveals that the actual expenditure exceeded the budgeted expenses by € 108,729, representing an increase of 10%.</p> <p>We also noted that the budget did not reflected the actual subvention given by the Government of Malta (An understatement of € 69,603), and no permits income was included in the budget. In respect of expenses there was a significant increase in expenses associated with professional costs and office services. The detailed comparison of income and expenditures can be found in Appendix III.</p>	<p>11.1 The council is cognizant of its own efforts to operate within the approved budgets. The council face the brunt for all quarters – from the citizens it represent when basic services are not met due to budget constraints, from political sphere when something does not go as planned, and from the central government with it exceeds it budgeted expenditure.</p> <p>The council is not autonomous in its function having dependent solely on the central government. The Council does not have the autonomy to generate its own income through enactment of its own byelaws which means the council's only source of income remaining central government.</p>
<p><i>Recommendation</i></p> <p>11.2 We recommend the Council to conduct a detailed analysis of the significant increase in expenses. The Council should also implement appropriate measures to control and manage expenses more effectively which may involve setting stricter budgetary controls, renegotiating contracts or agreements to reduce costs, or identifying opportunities for cost-saving initiatives without compromising the quality of services provided.</p>	<p>11.2 and 11.3 The council would have no objection</p>

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

<p>11.3 We further recommend the Council to review the budgeting process to ensure that future budgets accurately reflect anticipated income and expenses. This may involve revisiting budget assumptions and incorporating historical expenditure trends in the budgeting process to ensure comprehensive planning and forecasting.</p>	<p>to implement the recommendations, subject to the council being afforded more resources.</p>
<p><b>12 OTHER MATTERS</b></p> <p>12.1 We advocate for a more in-depth analysis of accounting figures presented to the Council, extending beyond merely identifying anomalies, particularly concerning Administrative and Operating expenses. It is essential to establish connections between certain costs and their associated revenue streams, such as correlating Cultural event and Community activities costs with the revenue generated from these activities. This approach ensures a thorough examination of the reasonableness of accounting figures, fostering a deeper understanding of the proper use of funds.</p> <p>12.2 Additionally, we recommend implementing more robust internal control procedures on an ongoing basis. These procedures should include continuous testing and monitoring, supported by regular reports to the Council Board on any identified weaknesses in the systems. Prompt action and timely response to these findings are crucial to maintaining the effectiveness and reliability of the internal control framework.</p>	<p>12.1 and 12.2 The council would have no objection to implement the recommendations, subject to the council being afforded more resources.</p>



<p>13 CONCLUSIONS</p> <p>13.1 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>13.2 We would be pleased to assist the Council in coming 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>13.1 The council will look into implementing the recommendations.</p> <p>13.2 The Executive Secretary together with the staff thank the auditors for the professionalism with which they carried out the audit process.</p> <p>The Executive Secretary ensures continuity, efficiency and effectiveness in management and good governance as expected and according to the powers given by law.</p>
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Deficiencies noted in the course of our audit of the financial statements of the Siggiiewi Local Council for the year ended 31 December 2024