Parker Russell Turner
CERTIFIED PUBLIC ACCOUNTANTS & AUDITORS

The Members
Qrendi Local Council
7, Triq il-Knisja
Qrendi QRN 1103
Malta

Department For
17 JUL 2026
Local Government

17 June 2026

Dear Members of the Qrendi Local Council,

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

Arthur Douglas Turner
Partner - Parker Russell Turner

PREVIOUS MANAGEMENT LETTER

During the course of our audit for the year ended 31 December 2025, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

i. Property, Plant and Equipment

We have once again noted shortcoming in property, plant and equipment as noted in pages 4 to 6. Further issues were encountered during the year.

ii. Trade and other receivables

We have, once again noted differences between the amount due on accounts and the statement provided from Waste Serve Malta Ltd, which also relates to a long outstanding receivable, as per note 3 on pages 7 and 8.

iii. Cash in hand and at bank

We have once again noted deficiencies in cash as explained in note 4 under page 8 and 9.

iv. Capital Commitments

No improvements were noted after our recommendation in the prior year. Kindly refer to note 6 on page 12.

v. Revenue

We have once again noted various issues which were noted under note 7 on pages 13.

vi. Debit Transactions

We have once again noted various issues which were noted under note 8 on pages 15 to 18.

vii. Payroll and Human Resources

We have once again noted various issues which were noted under note 9 on pages 19.

viii. Presentation of the financial statements

Improvements were noted.

ix. Bookkeeping and accounting issues

Improvements were noted.

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. *FINANCE LEASES*
3. *RECEIVABLES*
4. *CASH IN HAND AND AT BANK*
5. *PAYABLES*
6. *CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES*
7. *REVENUE*
8. *DEBIT TRANSACTIONS*
9. *PAYROLL AND HUMAN RESOURCES*
10. *PRESENTATION OF FINANCIAL STATEMENTS*
11. *OTHER MATTERS*
12. *CONCLUSIONS*

WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	QRENDI 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, 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. This limitation was also present in previous years.	
Recommendation 1.1.2 We strongly believe that the fixed asset register should be kept electronically, using the appropriate available software and should be synchronized within the accounting system. 1.1.3 We strongly recommend that the fixed asset register implementation process is discussed in details with your IT service provider and the accountant in charge in order to adapt the software necessary for the needs of the Council and incorporate the integration of the plant registry within the general ledger.	

1.2 Additions *Weakness* 1.2.1 Included with Assets Under Construction, cost of the lift in relation to the new Council Property amounting to € 22,560 was capitalised. However, whilst verifying amounts to invoices issued after year end, it was noted that the total cost of the lift amounted to € 33,347 and thus an adjustment was passed at audit level to reflect the full value.	
Recommendation 1.3.2 It is recommended that the council should strengthen its year-end capital expenditure review procedures to ensure that all costs are identified, accurately recorded, and included in the accounting records before the financial statements are finalized. A reconciliation of supplier invoices, contract values, and accrued costs should be performed at year-end, including a review of invoices received after the reporting date that relate to work completed before year-end. This will help ensure that capital assets are fully recorded.	

2 FINANCE LEASES *Weakness* 2.1 During our review of other areas in the financial statements, we also noted that the Council correctly accounted for Right of Use assets under IFRS 16. However, we were not provided with how the internal rate of return of 3.4% was arrived at. This limitation was also present in previous years.	
Recommendation 2.2 Since amounts were considered immaterial, no audit adjustments were deemed necessary to be affected at this stage. However, it is recommended that the Council should obtain understanding from the Bank lending rates to arrive at the correct internal rate if return to be used.	

3 RECEIVABLES *Weakness* 3.1 Whilst testing balances due to Waste Serve Malta Ltd, a transaction history was obtained to substantiate outstanding balances since in previous years, a discrepancy was always noted but never identified. Reconciliation revealed a discrepancy of €6,077. The difference arose from cost transactions charged by Waste Serve Malta Ltd dated in 2023 that had been offset against income received during the same year but had not been reflected in the Council's accounting records. Consequently, a prior-year adjustment was required to correctly reflect the receivable balance. 3.2 We noted that the Council holds a debtor balance associated with the LESA old balance amounting to € 67,211, which is fully provisioned in the accounts. However, there is no clarity regarding whether this sum is fully or partially recoverable. Further, an audit adjustment had to be passed to reflect the movement on the balance for the year as per LES Report 622 extracted from the Loqus system of € 1,945. 3.3 Whilst testing debit transactions, it was noted that prepayments were not fully accounted for and this particularly for ECO Pure bottles costs of EUR 1,476.	

Recommendation 3.4 We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences in the current year. 3.5 We recommend that whilst carrying out the posting of the debit transactions, any prepaid amounts are reclassified accordingly as otherwise costs in the nominal ledger would be overstated resulting in incorrect cut-offs and distortion to the financial results.	
4 BANK *Weakness* 4.1 As in previous years, the Council is including the amounts held at the Central Bank of Malta for Measure funds to be released, within Cash at bank and in hand. 4.2 Further, the Council is not keeping a proper cash reconciliation at year end. 4.3 Included with Cash at bank and in hand, there is a balance of € 242.32 of 'Undeposited Funds' and no reconciliation was provided for said amounts.	

4.4 During our audit procedures, we noted that the year-end bank balance as per the financial statements agreed to the bank reconciliation prepared by the Council. However, it was observed that an unpresented cheque issued in a prior year to Angelo Schembri was not reflected within the reconciliation. This omission of this item indicates that the bank reconciliation may not have been subject to a thorough review, and that outstanding items are not being properly monitored and cleared on a timely basis. Inadequate preparation and review of bank reconciliations may result in incomplete or inaccurate reconciliations, increasing the risk that errors, stale cheques, or other reconciling items remain unidentified. This may impact the completeness and accuracy of cash and creditor balances reported in the financial statements.	
Recommendation 4.5 We recommend that the Local Council adopts an improved treasury management procedures to categorise bank accounts according to their nature. This approach would ensure transparency and efficient utilisation of public funds, aligning with the Council's Budget Management guidelines. 4.6 We recommend that weekly petty cash reconciliations are kept in order to keep proper track records of the cash inside the local council premises. 4.7 We also recommend that all funds received are allocated and deposited accordingly. Any funds not deposited are to be reconciled on a monthly basis.	

4.8 Management should strengthen controls over the preparation and review of bank reconciliations by ensuring that all reconciling items, including unpresented cheques from prior periods, are appropriately identified, investigated, and followed up on a timely basis. Regular independent review of reconciliations should be performed, and aged reconciling items should be monitored and cleared in accordance with established procedures.	
5 PAYABLES *Weakness* 5.1 Whilst reconciling balance due to ARMS Ltd, we noted that a number of payments had been posted on account and the corresponding supplier invoices could not be traced for verification purposes. In addition, no supplier reconciliation was available to support the balance outstanding at year-end. The Council further confirmed that an amount of €1,003.34 relating to "Electricity Supply Application at the Local Council Premises" was not payable and should not have formed part of the supplier balance. Moreover, during substantive testing of utility expenditure, two debit transactions of ARMS Ltd amounting to €1,026.13 and €2,007.11 could not be traced to supporting documentation. The inability to substantiate these balances and transactions indicates weaknesses in the maintenance and reconciliation of supplier accounts. As a result, an audit adjustment was processed to reverse the unsupported creditor balance and related expenditure recorded under utilities.	

5.2 Whilst reconciling balance due to Angelo Schembri, an adjustment was required following the identification of a duplicate invoice recorded within the supplier account balance. Our review revealed that an invoice originally recorded in 2024 had been paid; however, the related cheque was never cashed and this remained unaccounted for within the Council's accounting records. When the payment was subsequently reissued in October 2025, a new invoice was erroneously posted to the accounting system to correspond with the reissued payment. As the original invoice had already been recorded in 2024, this resulted in the invoice being accounted for twice, leading to an overstatement of liabilities and expenditure and was reversed at audit level. 5.3 Whilst testing balances due to Housing Authority and Koperattiva Tabelli u Sinjali, discrepancies of € 1,718 and € 190 were noted and no reconciliation was provided. *Recommendation* 5.4 We recommend that the monthly creditors' reconciliations are carried out with supplier statements in order to be able to identify discrepancies in a timely manner and account for any missing invoices as otherwise the financial results will be distorted.	

6 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES *Weakness* 6.1 The very nature of Local Council business warrants a close look at Capital commitments at the year end, particularly in relation to those projects approved by Local Government, but which have been fully or partially funded, and which project works the Local Council contracted for, at the year end. There is no consideration of these potential capital commitments at year end. These were not provided at the time of the audit and we had to await from the Council to provide the revised financial statements. Recommendation 6.2 It is imperative to determine these potential capital commitment not only to ensure the correctness and completeness of the liabilities disclosed in the financial statements, but also to raise awareness of other constraints which can adversely impinge on the Council's cash flows. During the year we have noted that no capital commitments were disclosed in the financial statements. Even though we were provided with details of projects contracted for, mainly project in relation to the Local Council premises and improvement to alleys in the community, no amounts were provided and could not be quantified for proper disclosure.	

7 REVENUE

7.1 Income from LESA

Weakness

7.1.1 Further whilst performing a control test between LESA report to the Council's record in the accounting system, an overall difference of € 599 resulted higher in nominal ledger from wrong classification.

Recommendation

7.1.2 It is recommended that proper reconciliation are carried out and proper classification of income should be disclosed in the financial statements.

7.2 General income

Weakness

7.2.1 During our audit fieldwork, while performing a reconciliation 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 € 201 arose in over declaration in the accounting system. The difference is immaterial which clearly indicates that the Council is issuing receipts correctly from the online system. Nonetheless, reconciliations should be carried out between the online system and the nominal ledger for any discrepancies to be investigated and rectified.

Recommendation 7.2.2 We urge the Council to continue updating the permit’s online system so that a complete trail will be available for all income issued, reconciling with receipts reflected in the accounting system. It is of utmost importance for the Council to regularly reconciles the receipts issued from the system with the income recorded in the accounting system.	

8 DEBIT TRANSACTIONS

Weakness

8.1 Whilst verifying Administrative costs it was noted that the Council was not adhering to the Procurement procedures and 3 quotes were not always being attained, either because these were not requested and/ or because no replies were being received. Such instances occurred in the following transactions:

Public Property					
19/02/2025	40	EMG001	Various maintenance works	637.20	(1)
25/06/2025	68158	TI001	Hardware	533.74	(1)
04/07/2025		TI001	Hardware	1130.45	(1)
31/07/2025	48	EMG001	Various Maintenance works	616.30	(1)
13/10/2025	2/3	EMG001	Maintenance on Wied iz-Zurrieq Public Toilets	792.73	(1)
08/10/2025	Chq 4614	AS	Boring of Feasts Pole Holes	1476.00	(1)
21/11/2025	75948	TI001	Hardware	1157.55	(1)
Office Furniture & Equipment Supplies					
04/03/2025	1192411	Eco Pure	Advance Sales of 285 botles of 18lts of water	1,282.48	(2)
Overseas Hospitality					
15/10/2025		Nina Skye	Brussels Accommodation-Reimbursement	1,200.00	(1)
Publications					
12/06/2025	25777	BestPrint	Printing of Qrendi Magazine no 2	2,362.50	(1)
Clean & Maint-Parks & Gardens					
02/02/2025	RFP-AD082	AG001	Zbir ta' Sigar taz-Zebbug u Tindif Triq Bali Guarena	1,150.00	(2)

01/10/2025	25040	MMICALLE	Supply & transportation of Soil	3,776.00	(2)	
Social Events						
17/01/2025	INV-3-25	SFL001	Renting of Gazebos, Bistro Tables, Sofa Chair & Christmas Sl	1,000.00	(1)	
17/01/2025	INV-2-25	SFL001	Renting of TV & Plint & Timpani for Kanta ta Rjieh fil-Qolla	600.00	(1)	
17/01/2025	INV-4-25	SFL001	Armar tad-dawl u arbli ghall-festi tal-Milied 2024	2,000.00	(1)	
Cultural Events						
15/01/2025	3/25	SMSM001	Kiri ta Stage, Electric Supplies u Mwejjed u Siggijiet - Vil	1,000.00	(1)	
15/01/2025	4/25	SMSM001	Tizijin tal-Milied fi Triq Rokku Buhagiar u madwar il-Gnien	2,000.00	(1)	
05/03/2025	KE5/25	LEON	Carnival Programme 04/03/2025	2,535.00	(1)	
29/04/2025		PBS	Avviz rigward Festival Agrarju tal-Patata 2025	708.00	(1)	
02/06/2025	2/6/25	ALE001	Organization Services for Festival Agrarju tal-Patata 2025	2,000.00	(1)	
01/05/2025	724	PROE	Hiring of Tents for Festival Agrarju tal-Patata 2025	1,150.50	(1)	
20/06/2025		SFL001	Banda waqt il festival tal patata 2025	1,500.00	(1)	
01/06/2025	49	MAN	Children Fun Park - Festival Agrarju tal-Patata 2025	1,550.00	(1)	
02/06/2025	11/25	SMSM001	Servizz bil-Banda Santa Marija fil-Qrendi waqt il-Festival	1,500.00	(1)	
09/06/2025	165	ELCTRON	Extra cost of fuel for Generators	3,180.00	(1)	
24/08/2025	INV-0526	SOUNT	Stages for Minn Pjazza ghal Pjazza 23rd August 2025 - Qrend	3,540.00	(2)	
25/08/2025	6086	THESIGN	Stahlworks Eco 3000 Studio Box- Minn Pjazza ghal Pjazza 23r	2,773.00	(1)	
25/08/2025	6979	RVC	Power Supply & General Lighting setup 23rd August 2025 - Mi	3,835.00	(1)	
25/08/2025	61	MARKMIC	SterjoTipi Performance Minn Pjazza ghal Pjazza - 23rd Augu	2,300.00	(1)	

26/08/2025	230801	AMUSE	Event Management and Coordination - Minn Pjazza ghal Pjazza	2,000.00	(1)
25/08/2025	INV239	DYNAMIC	Stage Platform etc - Minn Pjazza ghal Pjazza	1,449.93	(2)
02/09/2025		SMSM001	Armar ta' dawl fi Triq Rokku Buhagiar, Triq il-Parrocca u M	1,000.00	(1)
29/08/2025		TIKKA	Tikka Banda Musical Service	1,121.00	(1)
01/10/2025	MAVLTD02716	MAD	Video screens, projectors & laptons & Sound Rental including	1,777.67	(1)
01/10/2025		SFL001	Minn Pjazza ghal Pjazza - siggijiet u imwejjed u ftuh tax-Xe	1,000.00	(1)
21/10/2025	TBIV-25/052	TIKKA	50% Deposit for Tikka Banda Services on 13th December 2025	1,162.30	(1)
15/12/2025		DYNAMIC	Stage Platform for Milied fil-Qrendi 2025	3,870.40	(1)
11/12/2025		360RETAI	Bins	2,014.50	(1)
18/12/2025	251202	AMUSE	Event Coordination Services 13th December 2025	1,025.00	(1)
Community Services					
01/10/2025	055	SPIRID	Hire of Skips for Festa Santa Marija	1,652.00	(1)
03/12/2025		SOUNT	Horn speakers for Christmas carols	1,003.00	(1)
Christmas gifts					
12/12/2025	S793	PULLICIN	Kiri ta Mwejjed lil Die Casts & Scale Model Society ghall-ev	1,000.00	(1)

Note 1: No quotations were obtained
Note 2: Only one quotation was obtained

Recommendation 8.2 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. **Classifications** *Weakness* 8.3 Whilst verifying debit transactions we noted that costs were not properly being classified as per type of cost. Such as replacement of bins being included with cultural events and hire of tables for an event being included with Christmas gifts. *Recommendation* 8.4 We recommend that more attention is paid to the updating of accounting records to segregate properly between the type of the expense for proper disclosure in the financial statements.	

9 PAYROLL AND HUMAN RESOURCES **9.1 Overall payroll procedures** *Weakness* 9.1.1 Classification of salaries was not correctly reflected in the financial statements. We adjusted such amounts via an audit adjustment to correctly shown the actual amounts spent on salaries, council members allowances, mayor's honoraria allowance and executive secretary's salary. 9.1.2 Further it was noted that Gross PT Salaries of Eur 3,406 and PT Taxes of Eur 2,306 were not properly disclosed in the FS5s when compared to the Final FS3s and FS7 submitted.	
Recommendation 9.1.3 Whilst performing salaries reconciliation, it is important that the proper classifications are presented in the financial statements and ensuring that the mathematical correctness of the wages are done in line with the contracts. 9.1.4 In addition, it is important that performances bonuses are worked out on the basic salary and that these are approved by the Council.	

10 **PRESENTATION OF FINANCIAL STATEMENTS** *Weakness* 10.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU to reflect the recent amendments for the presentation of the financial statements. *Recommendation* 10.2 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.	

11 OTHER MATTERS *Weakness* 11.1 We have observed that even though the Local Council is uploading the necessary documentation such as audited financial statements and management letters, these are not complete as the financial statements do not include the Auditors' Report and the management letter does not include the Council's reply. Further, minutes are not being uploaded. This omission impacts the transparency and governance of the Local Council. The lack of accessible documentation hinders stakeholders from available information.	
Recommendation 11.2 We recommend that the Local Council establish a clear and consistent process for uploading all necessary documentation to the Local Government portal. This should involve designating a responsible staff member or team, implementing a schedule for regular updates to ensure prompt uploads of documents, and conducting periodic compliance checks to maintain up-to-date records.	

11.3 More robust internal control procedures are necessitated for the preparation of the accounting records. These tests should be ongoing, supported by regular reports to the Board Council on any weaknesses found in the systems. Only this and the timely reaction to these findings will ensure that robustness of the systems is in place.	
12 CONCLUSIONS 12.1 Even though improvement was noted from previous year, we recommend that better internal control procedures are to be instilled. The Council and its employees should continue to strive to achieve a good control environment by ensuring that optimum use of public funds and also to have better control on the cash resources of the council. 12. 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.	