KUNSILL LOKALI QRENDI

7, Triq il-Knisja, il-Qrendi QRD 1103

Date: 26^{th} August 2026

To:

The Director (Local Government)
The Auditor General
National Audit Office
The Local Government Auditors

Subject: Response to Management Letter – Qrendi Local Council

Dear Sir/Madam,

With reference to the Management Letter issued by Parker Russell Turner in respect of the financial year ended 31^{st} December 2025, please find attached the completed response template addressing the matters and recommendations raised therein.

The Local Council has duly considered the observations contained in the Management Letter and has provided its responses and, where applicable, the actions taken or proposed in relation to the matters raised.

This response is being submitted in accordance with the requirements set out in Circular 05/2025 and within the stipulated six-week period from the date of receipt of the Management Letter.

Should any further information or clarification be required, the Local Council remains available to provide the necessary assistance.

Yours faithfully,

David Michael Schembri	B Aquilina **Rachel Aquilina**
Mayor	Executive Secretary

Encl.: Completed Management Letter Response Template

KUNSILL LOKALI QRENDI

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.	*Reply* The Council notes the auditors' comments and recommendations. The Council will discuss the matter with its accountant and IT service provider with a view to implementing an electronic fixed asset register integrated with the accounting system.

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.	*Reply* The Council notes the auditors' comments and recommendations. The Council will strengthen its year-end review procedures to ensure that all capital expenditure and related invoices are properly identified, reconciled and recorded before the financial statements are finalized.

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.	*Reply* The Council notes the auditors' comments and recommendation. Going forward, the Council will ensure that the basis used to determine the internal rate of return is properly supported and documented, including reference to relevant bank lending rates.

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	*Reply*
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 reccmmend 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 distorticn to the financial results.	The Council notes the auditors' comments and recommendations.
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.	*Reply* The Central Bank accounts relating to the Measure funds have been closed during 2026 and, therefore this matter will no longer arise. At year-end, the relevant custodial reports will be printed and reconciled with the cash in hand, including any undeposited funds, to ensure that all balances are properly accounted for.

BT

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.	Cheques are being phased out and payments are increasingly being made through bank transfers. The Council will also ensure that any remaining outstanding cheques are properly monitored and reflected in the bank reconciliations.
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.	*Reply* The Council notes the auditors' comments and recommendations and will take the necessary actions accordingly.

BT

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.	*Reply* Reconciliation with ARMS Ltd has been affected and this problem should be solved.

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.	Monthly reconciliations of supplier balances will be carried out against supplier statements, and any discrepancies or missing invoices will be investigated and dealt with in a timely manner.
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.	*Reply* The Council notes the auditors' comments and recommendations.

B7

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.	*Reply* The Council notes the auditors' comments and recommendations and will be accounted for in 2026. Going forward, capital commitments relating to ongoing and contracted projects will be reviewed at year-end and properly identified, quantified and disclosed in the financial statements where applicable.

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.	*Reply* The Council notes the auditors' comments and recommendations. Regular reconciliations will be carried out between the LESA reports and the accounting records to ensure that income is correctly classified and properly reflected 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.	*Reply* The difference of €201 may relate to cancelled permits which remain reflected on the LESA reports.

Recommendation	*Reply*
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.	The Council notes the auditors' comments. The Council will continue carrying out reconciliations between the online permit system and the accounting records and investigate any differences identified.

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)

Reply

In the majority of cases where quotations are required for purchases or services up to €5,000, requests for quotations are sent by email to a number of different suppliers.

However, in some instances, suppliers do not respond to the requests, even after reminders are sent, or the required service is not available from the supplier contacted.

There are also circumstances where a particular service can only be provided by one specific supplier.

These situations make it difficult for the Council to obtain three quotations in every instance.

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	Reply
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.	The Council will continue to make every effort to obtain the required quotations and will ensure that requests made, reminders and any reasons for not obtaining three quotations are properly documented and retained for record purposes.
Classifications	
Weakness	*Reply*
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.	The Council notes the auditors' comments and recommendations. Greater attention will be given to the correct classification of expenditure in the accounting records to ensure that expenses are properly recorded under the appropriate category.
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.	

13

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.	*Reply* The Council notes the auditors' comments anc recommendations. Payroll reconciliations will be reviewed carefully to ensure that salaries and allowances are correctly classified and that calculations are in accordance with the relevant contracts. Performance bonuses will also be calculated on the appropriate basic salary and submitted for Council approval.

B

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.	*Reply* The Council notes the auditors' comments and recommendations. Greater attention will be given to the preparation and review of the financial statements to ensure that they are prepared in accordance with the applicable IFRS requirements and amendments.

B

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	*Reply* The Council notes the auditors' comments and recommendations. The Council will ensure that the required documentation, including the audited financial statements, Auditors' Report, Management Letter, Council replies and minutes, is uploaded to the Local Government portal in a complete and timely manner. The Council will continue to strengthen its internal control procedures and will monitor identified weaknesses through regular reviews and appropriate reporting to the Council.

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.	*Reply* The Council notes the auditors' overall comments and recommendations. The Council is committed to continuing to improve its internal control procedures, ensuring proper use of public funds and strengthening controls over the Council's financial and cash resources.