



TARXIEN
Local Council

Date: Thursday 13, March 2025

Director,

Mr. Christopher Galea,

Local Government Division,

Archbishop Street

Valletta

Response to Management Letter – Financial Statements for the Year Ended 31 December

~~2023~~ 2024 *Raw*

We would like to thank you for your audit report and the observations you have raised regarding the financial statements of Tarxien Local Council for the year ended 31 December 2024. We take your findings seriously and have reviewed the points mentioned in the report. Below, we provide our responses and the actions we are taking in relation to each point: *Raw*

1.1 Unsupported 5-a-side Football Ground Balances

We acknowledge your concern regarding the unaudited management accounts of the joint venture for the year ended 31 December 2019, and the absence of both audited and unaudited management accounts for 2020 and the current year under review. We understand the impact this has had on the audit report, and we are working to resolve the matter as soon as possible. Additionally, we are addressing the issue with the Local Council's lawyer to close off this matter and ensure all legal and financial aspects are properly concluded. Please refer to Annex 1.

1.2 Trade and Other Receivables

We acknowledge the discrepancies in the debtor balances arising from the Loqus IT system. Furthermore, the Council will urge a holistic approach, with the support of the Local Government Division and the National Audit Office, to carry out an audit review of the Loqus system. We will continue to monitor the situation closely and aim to rectify the discrepancies in a timely manner.

JAR



TARXIEN Local Council

1.3 Payables

We recognize the presence of long-outstanding creditors in the Council's books. We are currently reviewing all outstanding liabilities and have informed the Council to address these pending items. We are committed to ensuring that all creditors are paid in a timely manner moving forward, and we will implement stronger monitoring mechanisms to prevent this issue from recurring.

1.4 Salaries and Allowances

We acknowledge that the unaudited financial statements do not correctly classify the salaries and allowances as per the reported filings to the Internal Revenue. We are in the process of revising the financial statements to reflect the proper classification, in accordance with the Internal Revenue's requirements. Additionally, we shall be working closely with the accountant to address these shortcomings and ensure that similar discrepancies do not occur in future financial statements.

2. Trade and Other Receivables

Pre-regional Receivables

2.1 We acknowledge the discrepancy between the balance in the Council's books (€88,738) and the balance shown in Report 622 (€100,001), resulting in a difference of €19,803. As mentioned, the Council did not provide an explanation for this difference. We understand that the discrepancy has no impact on the financial statements, as LES debtors are carried at nil value following the provision for doubtful debts.

The Council will be discussing this matter with Loqus and the Council's accountant to investigate the source of this discrepancy and resolve the issue accordingly.

2.2 The Council fully understands its responsibility to investigate these differences and will ensure that they are referred to Loqus for further clarification and resolution. We will take the necessary steps to address the matter promptly and keep you updated.

3. Payables

Long outstanding creditors

3.1 Audit Adjustment (EUR 2,446 - 2010)

The Council acknowledges the auditor's finding regarding the balance of EUR 2,446, which relates to an audit adjustment passed by the previous auditor in 2010. At this time, the Council is unable to provide a detailed explanation as to what this adjustment pertains. The Council commits to investigating this amount to determine its nature and any outstanding liability associated with it. Any necessary actions will be taken to resolve the issue, and the findings will be presented at the next Council meeting for further discussion and documentation.

JM



TARXIEN Local Council

3.2 Youth Exchange Balance (EUR 2,200 - 2008)

Regarding the balance of EUR 2,200, which has been outstanding since 2008 and is due to Youth Exchanges, the Council notes that this amount has never been claimed. As per previous Council discussions and recorded minutes, it was decided that this amount should be written off as the project period expired in 2008, and there is no possibility of recovering these costs. The Council's accountant has confirmed this write-off in accordance with the Council's decision. No further action is required concerning this balance. Please refer to Annex 2.

3.3 Future Actions

The Council will ensure that any decisions related to outstanding balances, including those raised in this audit, are documented appropriately in the meeting minutes and followed up for resolution. The investigation into the EUR 2,446 audit adjustment will be prioritized, and any necessary corrective actions will be taken promptly.

4. Salaries and allowances classification

4.1 Salaries and allowances classification

The Council acknowledges the auditor's finding regarding the incorrect classification of salaries and allowances in the unaudited financial statements, as compared to the filings made to the Internal Revenue. We recognize the importance of ensuring that the financial statements reflect the correct classifications for transparency and compliance.

The Council has taken note of this discrepancy and, in response, will work closely with the newly appointed accountant to ensure that such issues are corrected and do not recur in the future. The new accountant will review the relevant records and make the necessary adjustments to the classification of salaries and allowances going forward. We are committed to maintaining accurate and compliant financial reporting.

We appreciate the auditor's diligence in identifying this matter, and we will ensure that corrective measures are implemented promptly.

5. Statement of changes in equity

5.1 Discrepancy in Opening Balance

The Council acknowledges the auditor's finding regarding the discrepancy between the unaudited retained funds recorded in the books (€1,396,999) and the balance at 1 January 2024 shown in the Statement of Changes in Equity (€1,396,834). The difference of €165 was identified as being due to the omission of a nominal account during the closing of the previous year. We have reviewed the auditor's proposed adjustment and have included the necessary correction in the final financial statements.

JA



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5.2 Recommendation for Improved Attention to Financial Statements

While the Council recognizes that this discrepancy is minimal, we take the auditor's recommendation seriously. We will address this issue with both the bookkeeper and the accountant to ensure that the preparation of the financial statements is more carefully managed in the future. The Council is committed to ensuring that the audited balances are accurately carried forward in the next financial year.

6. Fixed Assets

6.1 Discrepancy in Depreciation Expense of Urban Improvements

The Council acknowledges the auditor's finding regarding the discrepancy between the depreciation expense for urban improvements as recorded in the fixed asset register and the amount reflected in the unaudited financial statements. We have reviewed the proposed audit adjustment and have incorporated the necessary correction into the final financial statements.

6.2 Actions to Address the Issue

The Council recognizes the importance of maintaining accurate records and ensuring consistency between the fixed asset register and the financial statements. We will address this issue with the accountant to ensure that future reconciliations are completed more carefully and accurately.

Recognition of Grants Received

6.3 Transport Malta Grant and Depreciation Adjustment

The Council acknowledges the auditor's finding regarding the grant of €11,000 received from Transport Malta for the purchase of an electronic van in 2022. The grant was initially erroneously accounted for, leading to an understatement of depreciation expense and accumulated depreciation by €2,559. The proposed audit adjustment has been reviewed and incorporated into the final financial statements to accurately reflect the balances.

6.4 European Economic Area (EEA) Grant – Omission of Invoice

The Council recognizes the discrepancy noted regarding the EEA grant for street and urban improvements. The omission of an invoice for €55,101 related to works carried out in one of the Council's gardens resulted in an understatement of both the asset value and the grant. We have included the proposed audit adjustment in the final financial statements, ensuring the accurate reflection of the balances.



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6.5 Co-financing Fund Grant – Misallocation of Funds

The Council acknowledges the error regarding the Co-financing Fund grant, which reimburses a portion of the costs incurred on the 'Empowering Community Socialisation' project. We recognize that €13,317 was mistakenly treated as a grant for office furniture and fittings in 2022, which led to an understatement of amortisation expense by €2,996. This misallocation occurred due to the previous Executive Secretary not properly allocating the Co-financing Fund with the respective project and co-financing agreement. We have communicated with the Department of Local Government (DLG) to address and resolve this issue. The matter has now been corrected, and the adjustment has been reflected in the final financial statements. Please refer to Annex 3.

6.6 Recommendations for Grant Allocation and Review

The Council appreciates the auditor's recommendation to carefully allocate and thoroughly review its grants. Moving forward, the Council will ensure that all grants, particularly those related to the purchase of property, plant, and equipment, are accounted for using the capital approach. We will ensure that these grants are deducted from the carrying amount of the relevant assets, as required, and are not depreciated.

The Council is committed to improving the accuracy and transparency of grant accounting in future financial statements and will continue to work closely with the relevant departments to ensure proper allocation and reporting.

Conclusion

The Council takes financial management and compliance very seriously. To ensure the accuracy and timeliness of our reports, we have set strict deadlines for accountants and bookkeeping services. However, the accounting company advised that an increase in service fees is necessary to cover their operational and fixed costs. Considering this, the Council has decided to issue a call for new bookkeeping and accounting services, and as of this year, we will be transitioning to a new service provider.

Additionally, the Council has made an investment in recruiting an employee who will be responsible for bookkeeping and preparing the preliminary work for the accountant. This will allow the Council to have more direct control over its financial records and improve the efficiency of the accounting process.



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The Council is also actively working with legal counsel to address the long-outstanding payments with the Water Services Corporation, and ongoing communication is taking place. For further details, please refer to Annex 4.

We would like to extend our gratitude to the auditors for their swift and thorough audit process. Their efforts are greatly appreciated as we continue to improve our financial management and compliance practices.

Best Regards

Joseph Abela Galea

Mayor

Lianne Cassar

Deputy Executive Secretary

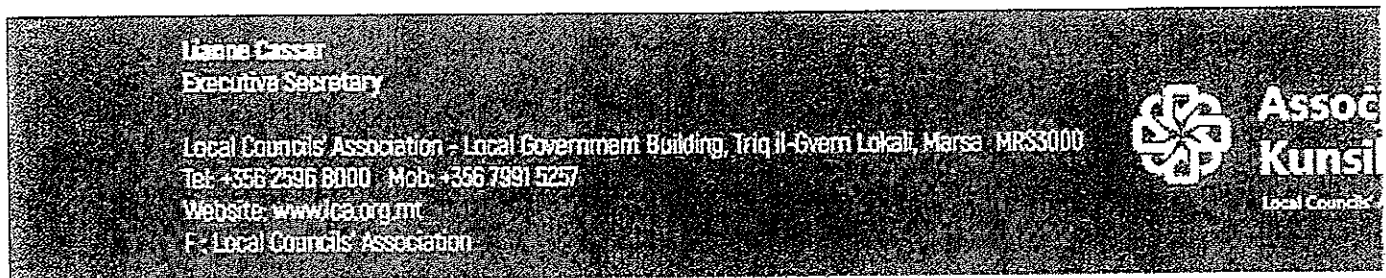
Lianne Cassar

From: Lianne Cassar
Sent: Thursday, 13 March 2025 14:27
To: Dustin Camilleri
Cc: tarxien.lc@gov.mt; abela25joseph@gmail.com
Subject: RE: Tarxien Joint Venture

Dear Dr. Camilleri,

Kindly note that issue is standstill and the Council is getting a qualified opinion from the auditors due to this issue hence, I would like to tackle it immediately.

Best Regards



From: Lianne Cassar
Sent: Thursday, 28 March 2024 14:03
To: Dustin Camilleri <dustin@emaadvocates.com>
Cc: tarxien.lc@gov.mt; abela25joseph@gmail.com
Subject: Re: Tarxien Joint Venture

Thanks jekk trid li nkun prezenti kemm tinfirmni

Thanks & Regards

Lianne Cassar

Local Councils Association
Local Government Building
Triq il-Gvern Lokali
Marsa
Tel: 25968000/ 79915257

On 28 Mar 2024, at 13:33, Dustin Camilleri <dustin@emaadvocates.com> wrote:

Hi Lianne,

Tkellimt mal-Kaxxier tar-Rainbows, ser nkun qiegħed niltaqa miegħu next week, u nara dokumenti min naha tagħhom.

Tislijiet,

D

From: Lianne Cassar <lcassar@tarxien.gov.mt>
Sent: Wednesday, March 27, 2024 12:16
To: Dustin Camilleri <dustinc@emaadvcates.com>
Cc: tarxien.jo@gov.mt; tarxien.jo@gov.mt; abeja25joseph@gmail.com
<abeja25joseph@gmail.com>
Subject: FW: Tarxien Joint Venture

Bongu Dr. Camilleri,

Ikollok ftit cans please niccekjaw ftit fuq din il-Joint Venture. Kif tkellimna l-bierah, il-Kunsill jixtieq li jara dan il-każ b' urġenza minħabba li bħal issa l-ground qed jiġi refurbished kollu mill-Kunsill u rridu naraw li kif ikun lest ħadd ma jiġi jipprova jagħmlu tiegħu.

Jidher li kien hemm xi tip ta' Joint Venture bejn 4 entitajiet/persuni fosthom il-Kunsill u Tarxien Rainbows.

Il-Kunsill qed jirċievi biex jissottometti l-karti tat-taxxa imma m'għadniex dettalji u lanqas għadna aċċess għall-portal.

Grazzi u tislijiet

<image002.jpg>

From: Lianne Cassar
Sent: Friday, 22 March 2024 22:34
To: Dr. Errol Cutajar <ecutajar@tarxien.gov.mt>
Cc: tarxien.jo@gov.mt; abeja25joseph@gmail.com
Subject: RE: Tarxien Joint Venture

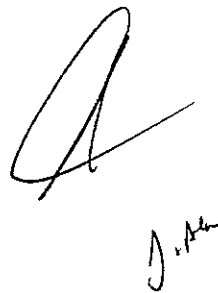
Dear Dr. Cutajar

Just a kind reminder regarding the below please.

Best Regards

<image002.jpg>

From: Lianne Cassar
Sent: Monday, February 26, 2024 10:23 AM
To: Dr. Errol Cutajar <ecutajar@tarxien.gov.mt>
Cc: tarxien.jo@gov.mt; abeja25joseph@gmail.com
Subject: Tarxien Joint Venture
Importance: High



Bongu Dr. Cutajar,

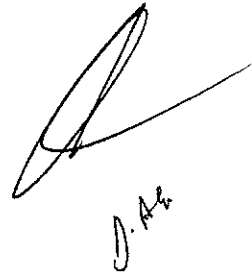
Ġentilment napprezza jekk naraw ftit kif nistgħu legalment ninħalu minn dan il-Joint Venture li kontinwament l-awdituri qed jirrimarkaw fuqu u li anki irċivejna mingħand id-Dipartiment ta' Taxxa fuqu. Il-Kunsill ftit li xejn hemm dettalji fuqu. Imma jidher li kien hemm 4 partijiet f' dan il-Joint Venture, fosthom Tarxien Rainbows.

<image003.png>

Napprezza jekk tigwdana.

Grazzi u tisljiet

<image002.jpg>

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long horizontal stroke extending to the right. Below the main signature, there are smaller, less legible initials or a second signature.

Annex 2.

Lianne Cassar

From: Diana Farrugia <diana.farrugia@gcsmalta.com>
Sent: Wednesday, 17 April 2024 12:54
To: Lianne Cassar
Cc: Deborah D'Amato; Lara Gail Micallef; tarxien.lc@gov.mt
Subject: RE: Q1 template
Attachments: TLC Quarterly Financial Report 1 of 2024 v.2.pdf; TLC Quarterly Financial Report 1 of 2024.xlsx

Hi Lianne,

Please find attached the updated report with the exec. officer adjustment.

Regarding the write off, yes it was passed as Dr Youth Exchanges Cr Other income with an amount of €2,000.

Kind regards,

Diana Farrugia | Accounts Supervisor
M.Accty. (Melit.), MIA, CPA

GCS Malta



Accounting • Advisory • Audit • Corporate • Recruitment

Our Values



A: Agora Business Centre, Level 2, Valley Road Msida MSD 9020, Malta
T: +356 2712 0804

E: diana.farrugia@gcsmalta.com | W: www.gcsmalta.com

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Please consider the environment before printing this e-mail.

From: Lianne Cassar <lcassar@lca.org.mt>
Sent: Wednesday, 17 April 2024 12:16
To: Diana Farrugia <diana.farrugia@gcsmalta.com>
Cc: Deborah D'Amato <deborah.damato@gcsmalta.com>; Lara Gail Micallef <Lara.Gail.Micallef@gcsmalta.com>; tarxien.lc@gov.mt
Subject: RE: Q1 template

Hi Diana,

Thanks

My replies in red.

Please could you kindly confirm that the EUR2000 for youth exchange was written off pls ?

Lianne Cassar

From: Abela Amanda at Local Government Division <amanda.abela@gov.mt>
Sent: Wednesday, 5 February 2025 09:54
To: Lianne Cassar
Cc: Tarxien Local Council at Port Regional Council; abela25joseph@gmail.com; Bharbra Cagang; Rowena Garcia; Tabone Robert at Local Government Division; Mario Fava
Subject: RE: Request for Co-Financing MoUs and Transaction History for Internal Audit - Tarxien LC

Good morning Lianne,

I'm not sure I understood exactly what the issue is. However, I'm going to give a brief info on the co-financing contracts Tarxien Local Council had since 2019.

- Tarxien Reach out Centre : Contract of **€20,613.47** drawn up in 2020 with first payment of €10,306.73 given in that same year
- Empowering Society Socialising: Contract of **€24,334.20** drawn up in 2021 with first payment of €13,365 given in that same year
- Addendum with respect to contract Empowering Society Socialising done in 2024 reflecting the increase in co-financing be given to Tarxien Local Council. New co-financing amount granted is **€39,126.56** in total.

The Tarxien Local Council is still to receive the final payment on project "Tarxien Reach Out Centre" and also on "Empowering Society Socialising". On the latter project, the last payment will reflect the increase in co-financing amount.

Hope this clarifies the matter.

Should you require additional clarification, do not hesitate to contact me.

Regards,
Amanda

From: Lianne Cassar <lcassar@lca.org.mt>
 Sent: Wednesday, February 5, 2025 6:49 AM
 To: Abela Amanda at Local Government Division <amanda.abela@gov.mt>
 Cc: Tarxien Local Council at Port Regional Council <tarxien.lc@gov.mt>; abela25joseph@gmail.com; Bharbra Cagang <bharbra.cagang@mt.gt.com>; Rowena Garcia <rowena.garcia@mt.gt.com>; Tabone Robert at Local Government Division <tabone.robert@gov.mt>; Mario Fava <mario.fava@gov.mt>



From: Lianne Cassar <lcassar@lca.org.mt>
 Sent: Wednesday, February 5, 2025 6:49 AM
 To: Abela Amanda at Local Government Division <amanda.abela@gov.mt>
 Cc: Tarxien Local Council at Port Regional Council <tarxien.lc@gov.mt>; abela25joseph@gmail.com; Bharbra Cagang <bharbra.cagang@mt.gt.com>; Rowena Garcia <rowena.garcia@mt.gt.com>; Tabone Robert at Local Government Division <tabone.robert@gov.mt>; Mario Fava <mario.fava@gov.mt>

Division <robert.tabone@gov.mt>; Mario Fava <mario@mariofava.com.mt>

Subject: Request for Co-Financing MoUs and Transaction History for Internal Audit - Tarxien LC

This email originated from OUTSIDE the Government Email Infrastructure. DO NOT CLICK LINKS or OPEN attachments unless you recognise the sender and know the content is safe.

Dear Amanda,

I hope this message finds you well.

Further to our previous conversation related to the subject matter, we are currently conducting the yearly internal audit and further to our review of the co-financing agreements between Tarxien LC and the Co-financing Board for period between the 2019 and 2024, both the auditor and I are experiencing difficulties reconciling the accountant's workings. The accountant is unsure as well on how she had allocated these funds.


Our main concern is that the co-financing allocated against the agreement signed in 2021 to cover the non eligible costs of the 2nd EEA project (Joanne Gardens), i.e., the payment amounting to €13,365, was not properly allocated and accounted for against the payments incurred during this project but accounting wise the accountant allocated these funds against costs incurred during the 1st EEA project (the regeneration of the Community Hall).

As I was not involved in Tarxien LC at that time and we are unable to trace supporting documentation, I am kindly requesting your assistance in providing both the LC and the auditors with signed copies of the co-financing MoUs between Tarxien LC and the Co-financing Board, as well the transaction history of funds transferred to Tarxien LC in relation to these agreements. This will enable us to reconcile and do any required audit adjustments.

Thank you for your assistance. I look forward to your reply.

I am copying the auditors for their ease of reference.

Best regards,



Lianne Cassar
Executive Secretary

Local Councils Association - Local Government Building, Triq il-Gvern Lokali, Marsa MRS3000
Tel: +356 2596 8000 Mob: +356 7991 5257
Website: www.lca.org.mt
F: Local Councils Association

**Assoc
Kunsil**
Local Councils Association

17/12/2022

EMA

~~Msida Court
First Floor
Msida Seafront
Msida MSD9043~~

Msida, 17/12/2022

Qiegħed mill-reb għan-num tal-Kunsill Lokali tal-Bajja Tardien ta' 78 Triq Santa Marija, Tardien TXN 1704.

Il-li-mittenti qiegħed leghmel referenza għal ammont ta' €35,435.25 li jirrappreżentaw flus ta' kunsill lokali li jkollhom ta' fevver għal qiegħed li sar fuq orrog ta' ta' responsabbiltà ta' kunsill lokali ta' Tardien ta' għal li sar mill-Allstate Surfaces Corporation

Li jkun għan-num ta' għal qiegħed li sar bejn is-sena 2011 u 2022.

Li jkun għan-num ta' għal qiegħed li sar bejn is-sena 2011 u 2022. għal qiegħed li sar fuq orrog ta' ta' responsabbiltà ta' kunsill lokali ta' Tardien ta' għal li sar mill-Allstate Surfaces Corporation

Tassew:

Msida, 17/12/2022