

GOVERNANCE **ACTION**

on the
NAO's Annual Report
on Public Accounts 2020
and other NAO Reports 2021



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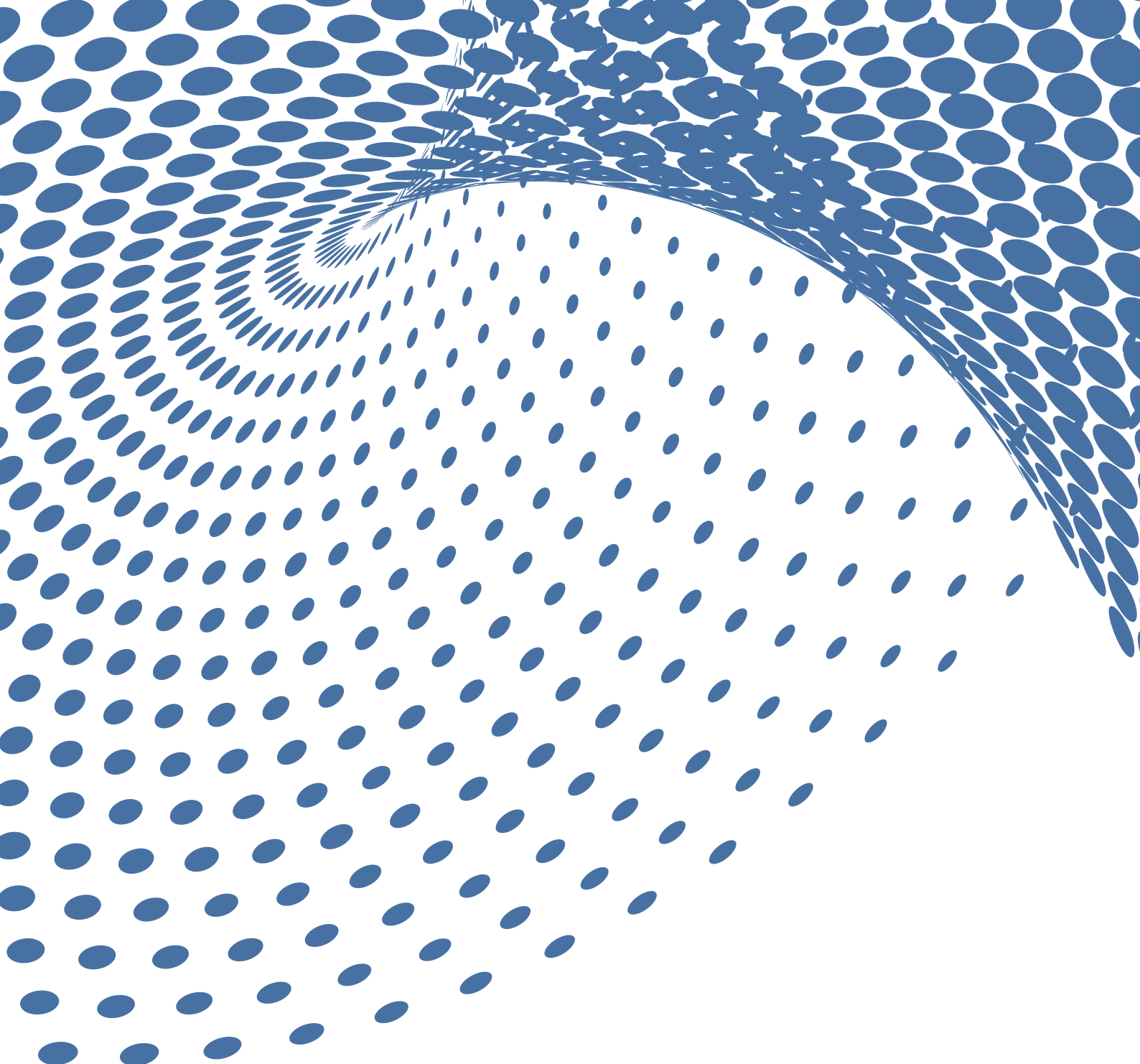
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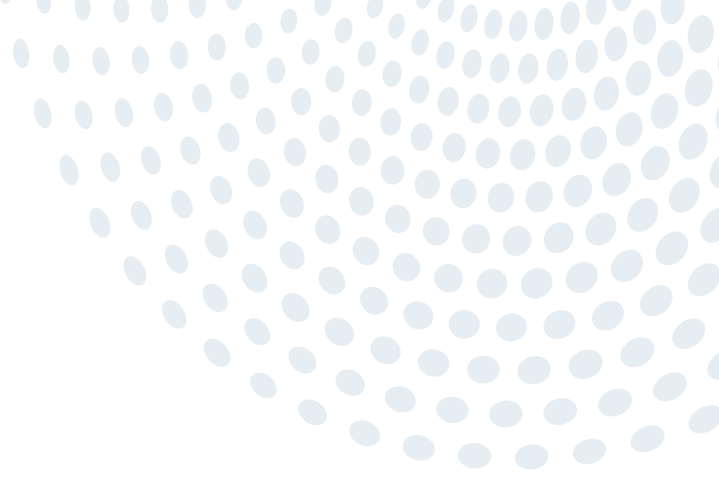
GOVERNMENT OF MALTA
OFFICE OF THE PRINCIPAL PERMANENT SECRETARY
OFFICE OF THE PRIME MINISTER

November 2022



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and other NAO Reports 2021



FOREWORD

It is our primary role as public officers to ascertain the highest level of accountability. This annual publication is one of the ways how the Public Service conveys this to the public.

It is the result of a well-thought process driven by permanent structures, tasked to ensure implementation, monitoring and coordination throughout the public administration. Through these structures, it is ascertained that where shortcomings were identified by the National Audit Office, the relevant entities and departments take note and put into immediate effect the recommendations made - unless a valid justification inhibits its implementation.

I take pleasure in noting that this year, the implementation rate of recommendations made by the NAO, exceeds the average of the past seven years since such exercise started.

It is through this accountability and transparency that we foster high levels of trust by the people in the public service. It is evident to all that the Public Administration is proactive on good governance – as it should be.

Tony Sultana

Principal Permanent Secretary

TABLE OF CONTENTS

LIST OF ABBREVIATIONS	10
INTRODUCTION	16
STATISTICS	19
FOLLOW-UP ACTION ON THE NAO REPORT ON PUBLIC ACCOUNTS 2020	
OFFICE OF THE PRIME MINISTER	21
Government Printing Press – Revenue and Expenditure.....	22
MINISTRY FOR HEALTH	26
Ministry for Health – Expenditure.....	27
Mater Dei Hospital: Non-medical equipment facilities management – Expenditure	31
Foundation for Medical Services – Personal emoluments	35
Mount Carmel Hospital – Capital expenditure (2019)	40
Pharmacy of Your Choice – Expenditure (2018).....	48
Long Term Medical Beds – Expenditure (2018)	54
MINISTRY FOR THE ECONOMY, EUROPEAN FUNDS AND LANDS	
<i>(reported by the NAO as Ministry for the Economy, Investment and Small Businesses)</i>	56
Malta Investment Management Company Limited – Expenditure	57
Malta Digital Innovation Authority – Expenditure <i>(reported by the NAO under the Office of the Prime Minister)</i>	62
Malta Business Registry – Revenue and expenditure <i>(reported by the NAO under the Office of the Prime Minister)</i>	68
Security Posture Programme – Expenditure <i>(reported by the NAO under the Office of the Prime Minister)</i>	71
MINISTRY FOR EDUCATION, SPORTS, YOUTH, RESEARCH AND INNOVATION	
<i>(reported by the NAO as Ministry for Education and Employment)</i>	72
Education Department – Expenditure	73
University of Malta – Expenditure.....	78
St Patrick’s Industrial School – Personal emoluments	81
Investment Fund for Private Schools – Expenditure.....	83

MINISTRY FOR THE ENVIRONMENT, ENERGY AND ENTERPRISE

(reported by the NAO as Ministry for Energy and Water Management and Ministry for the Environment, Sustainable Development and Climate Change) 86

Automated Revenue Management Services Limited – Revenue
(reported by the NAO under the Ministry for Energy and Water Management)..... 87

Street lighting and other services – Expenditure
(reported by the NAO under the Ministry for Energy and Water Management).....89

Enemed Company Limited – Revenue and receivables
(reported by the NAO under the Ministry for Energy and Water Management).....96

WasteServ Malta Limited – Expenditure
(reported by the NAO under the Ministry for the Environment, Sustainable Development and Climate Change).....99

Ambjent Malta - Expenditure
(reported by the NAO under the Ministry for the Environment, Sustainable Development and Climate Change)..... 102

MINISTRY FOR FINANCE AND EMPLOYMENT

(reported by the NAO as Ministry for Finance) 107

Tax Relief Measures – Expenditure108

Customs - Revenue110

Malta Stock Exchange – Revenue 116

MINISTRY FOR TOURISM117

Ministry for Tourism – Expenditure 118

Regeneration Works – Capital expenditure.....123

Malta Film Commission – Expenditure 128

Cleansing and Maintenance Division – Personal emoluments
(reported by the NAO under Ministry for Justice, Culture and Local Government)134

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

(reported by the NAO as Ministry for Home Affairs and National Security) 138

Armed Forces of Malta – Expenditure..... 139

Malta Police Force – Personal emoluments..... 143

Civil Protection Department – Personal emoluments.....149

Correctional Services Agency – Capital expenditure 151

MINISTRY FOR JUSTICE

(reported by the NAO as Ministry for Justice, Culture and Local Government)..... 158

Ministry for Justice, Culture and Local Government – Personal emoluments..... 159

MINISTRY FOR THE NATIONAL HERITAGE, THE ARTS AND LOCAL GOVERNMENT

(reported by the NAO as Ministry for Justice, Culture and Local Government)..... 162

Restoration Directorate – Personal emoluments 163

Festivals Malta – Expenditure 164

MINISTRY FOR FOREIGN AND EUROPEAN AFFAIRS AND TRADE

*(reported by the NAO as Ministry for Foreign Affairs and Trade Promotion, and
Ministry for European Affairs and Equality)*..... 171

Ministry for Foreign Affairs and Trade Promotion – Revenue
(reported by the NAO under the Ministry for Foreign Affairs and Trade Promotion)..... 172

Ministry for European Affairs and Equality – Expenditure
(reported by the NAO under the Ministry for European Affairs and Equality)..... 177

MINISTRY FOR PUBLIC WORKS AND PLANNING

(reported by the NAO as Ministry for Transport, Infrastructure and Capital Projects) 180

Ministry for Transport, Infrastructure and Capital Projects – Store items..... 181

Energy Performance Certificates – Revenue 186

MINISTRY FOR GOZO..... 191

Upgrading of St Francis Square – Capital expenditure 192

Subsidies and schemes to Gozo residents – Expenditure 196

MINISTRY FOR SOCIAL POLICY AND CHILDREN'S RIGHTS

(reported by the NAO as Ministry for the Family, Children's Rights and Social Solidarity) 199

Service Pension – Expenditure 200

In-work Benefit – Expenditure..... 205

Aġenzija għall-Harsien tat-Tfal – Personal emoluments..... 207

MINISTRY FOR SOCIAL AND AFFORDABLE ACCOMMODATION

(reported by NAO as Ministry for the Family, Children's Rights and Social Solidarity)..... 211

Housing Programmes – Expenditure 212

Housing Maintenance and Embellishment Company Limited – Revenue and expenditure..... 215

FOLLOW-UP ACTION ON OTHER NAO AUDITS CARRIED OUT DURING 2021

Performance audit: Is LESA suitably geared to perform its traffic enforcement function adequately?.....	225
Performance audit: The effectiveness of plastic waste management in Malta	226
Performance audit: Fulfilling obligations in relation to asylum seekers.....	228
IT audit: Department of Examinations.....	230
Performance audit: Smart and RF meters' contribution to more accurate and timely utilities billing.....	232
IT audit: IT asset management across Government Ministries and Departments.....	233
Performance audit: A strategic overview on the Correctional Services Agency's operations at the Corradino Correctional Facility	235
Report by the Auditor General on the Workings of Local Government for the year 2020.....	236

FOLLOW-UP ON PENDING ACTIONS

Ministry for Active Ageing.....	239
Ministry for Agriculture, Fisheries and Animal Rights.....	241
Ministry for the Economy, European Funds and Lands.....	242
Ministry for Education, Sports, Youth, Research and Innovation.....	243
Ministry for the Environment, Energy and Enterprise.....	247
Ministry for Finance and Employment.....	248
Ministry for Foreign and European Affairs and Trade	251
Ministry for Health	252
Ministry for Home Affairs, Security, Reforms and Equality	253
Ministry for the National Heritage, the Arts and Local Government	255
Ministry for Social Policy and Children's Rights	256
Ministry for Tourism.....	257
Pre-2020 pending actions	258

LIST OF ABBREVIATIONS

AACC	Active Ageing and Community Care
ACM	Arts Council Malta
AFM	Armed Forces of Malta
AG	Attorney General
AHT	Aġenzija għall-Harsien tat-Tfal
AMS	Asset Management System
ARMS	Automated Revenue Management Services Ltd
ARR	Arrears of Revenue Return
ASD	Asylum Seeker's Document
ASM	Assessments Application
AWAS	Agency for the Welfare of Asylum Seekers
BCA	Building and Construction Authority
BCP	Business Continuity Plan
BICC	Building Industry Consultative Council
BoQ	Bill of Quantities
CA	Collective Agreement
CA	Contracting Authority
CAP	Chapter
CBA	Cost Benefit Analysis
CCF	Corradino Correctional Facility
CCTV	Closed-Circuit Television
CdB	Common Database
CDMS	Centralised Document Management System
CEO	Chief Executive Officer
CFMS	Corporate Financial Management System
CFO	Chief Finance Officer
CfQ	Calls for quotations
CfR	Commissioner for Revenue
CIO	Chief Information Officer
CMD	Cleansing and Maintenance Division
CMS	Case Management System
CO	Correctional Officer
COO	Chief Operations Officer
CPD	Civil Protection Department

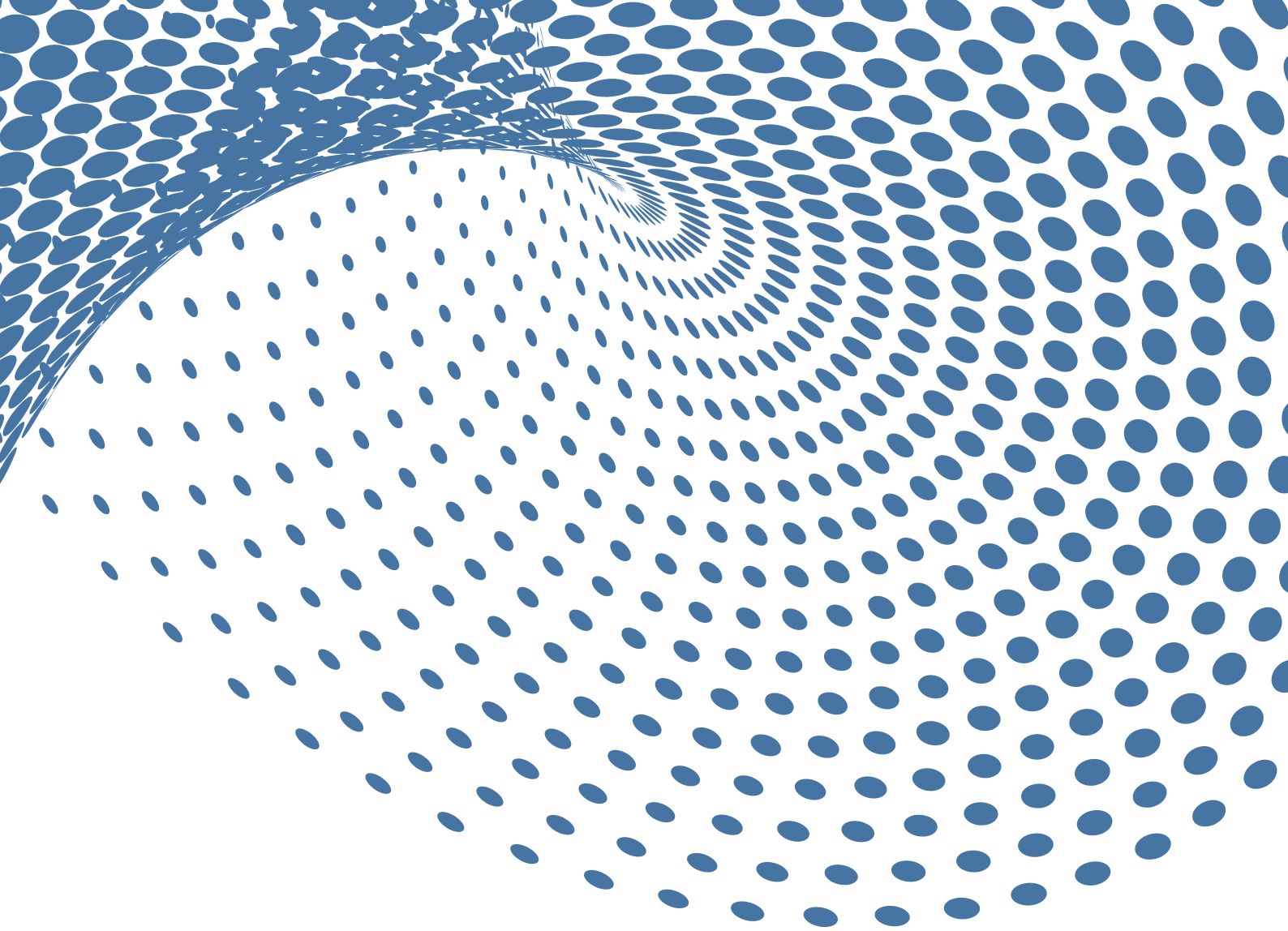
CPSU	Central Procurement and Supplies Unit
CSA	Correctional Services Agency
CSD	Central Securities Depository
CTD	Capital Transfer Duty Department
CTMS	Corporate Travel Management System
DAACC	Department for Active Ageing and Community Care
DAC	Directorate, Alternative Care
DAS	Departmental Accounting System
DCC	Dangerous Drugs Control Card System
DCS	Director for Corporate Services
DO	Direct Order
DoC	Department of Contracts
DoE	Department of Examinations
DRP	Disaster Recovery Plan
DS	Detention Service
DSS	Department of Social Security
ELC	Environmental Landscapes Consortium
EMS	Examinations Management System
EOI	Expression of Interest
EORI	Economic Operator Registration Identification
EPC	Energy Performance Certificate
e-PPS	Electronic Public Procurement System
ERA	Environment and Resources Authority
ERDF	European Regional Development Fund
ERP	Enterprise Resource Planning
EU	European Union
EUAA	European Union Agency for Asylum
FAR	Fixed Assets Register
FAQ	Frequently Asked Questions
FC	Financial Controller
FM	Festivals Malta
FMS	Fleet Management System
FMS	Foundation for Medical Services
FPCD	Finance and Procurement Compliance Directorate
FSI	Financial Situation Indicator
FSWS	Foundation for Social Welfare Services
FTS	Foundation for Tomorrow's Schools
FTZD	Foundation for Tourism Zone Development

GCC	General Contracts Committee
GDPR	General Data Protection Regulation
GFR	General Financial Regulations
GL	General Ledger
GMICT	Government of Malta Information Communication Technology
GPP	Government Printing Press
GRN	Goods Received Note
HA	Housing Authority
HIRC	Hal Far Initial Reception Centre
HM	Heritage Malta
HME	Housing Maintenance and Embellishment Company Limited
HO	Head Office
HoT	Head of Terms
HR	Human Resources
IA	Internal Audit
IAB	Internal Audit Board
IAC	Internal Audit Committee
IAID	Internal Audit and Investigations Department
IAU	Internal Audit Unit
IM	Infrastructure Malta
IMU	Information Management Unit
INDIS	Industrial Innovative Solutions – Malta
IOM	International Organisation for Migration
IPA	International Protection Agency
IPAT	International Protection Appeals Tribunal
IPS	Institute for the Public Services
IPSAS	International Public Sector Accounting Standards
IRU	Industrial Relations Unit
IT	Information Technology
ITS	Institute for Tourism Studies
IWB	In-work benefit
LC	Local Council
LCA	Local Councils Association
LESA	Local Enforcement System Agency
LGD	Local Government Division
LTC	Long-term Care

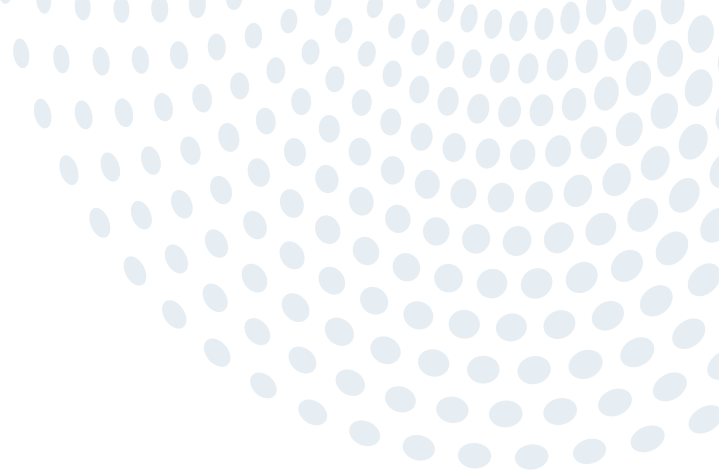
MAFA	Ministry for Agriculture, Fisheries and Animal Rights
MAS	Medicines Approval System
MBO	Malta-based Officer
MBR	Malta Business Registry
MCAST	Malta College of Arts, Science & Technology
MCCAA	Malta Competition and Consumer Affairs Authority
MCH	Mount Carmel Hospital
MCRB	Minor Care Review Board
MDH	Mater Dei Hospital
MDIA	Malta Digital Innovation Authority
MEAE	Ministry for European Affairs and Equality
MEDE	Ministry for Education and Employment
MEEE	Ministry for the Environment, Energy and Enterprise
MEFL	Ministry for the Economy, European Funds and Lands
MELP	Malta Embellishment and Landscaping Projects
MESDC	Ministry for the Environment, Sustainable Development and Climate Change
MEWM	Ministry for Energy and Water Management
MEYR	Ministry for Education, Sport, Youth, Research and Innovation
MFAA	Ministry for Active Ageing
MFC	Malta Film Commission
MFCS	Ministry for the Family, Children’s Rights and Social Solidarity
MFE	Ministry for Finance and Employment
MFEA	Ministry for Foreign and European Affairs
MFED	Ministry for Education
MFET	Ministry for Foreign and European Affairs and Trade
MFH	Ministry for Health
MFIN	Ministry for Finance
MFJ	Ministry for Justice
MFT	Ministry for Tourism
MFS	Malta Film Studios
MFSA	Malta Financial Services Authority
MG2I	MCAST Gateway to Industry
MGOZ	Ministry for Gozo
MHAL	Ministry for National Heritage, the Arts and Local Government
MHS	Mental Health Services
MHSR	Ministry for Home Affairs, Security, Reforms and Equality
MIMCOL	Malta Investment Management Company Limited
MIS	Management Information System
MITA	Malta Information Technology Agency

MJCL	Ministry for Justice, Culture and Local Government
MOP	Manual of Procedures
MoU	Memorandum of Understanding
MPF	Malta Police Force
MPWP	Ministry for Public Works and Planning
MRF	Material Recovery Facility
MRN	Movement Reference Number
MS	Member State
MSAA	Ministry for Social and Affordable Accommodation
MSE	Malta Stock Exchange
MSPC	Ministry for Social Policy and Children's Rights
MTA	Malta Tourism Authority
MTIP	Ministry for Transport, Infrastructure and Capital Projects
MUT	Malta Union of Teachers
NAO	National Audit Office
NGO	Non-Governmental Organisation
NRW	Non-revenue water
OHSA	Occupation Health and Safety Authority
OPM	Office of the Prime Minister
ORS	Online Requisition System
PA	Planning Authority
PAA	Public Administration Act
PCO	Public Cultural Organisations
PCRB	Public Contracts Review Board
PD	Police Department
PHC	Primary Health Care
PML	Projects Malta Limited
PO	Purchase Order
POT	Person of Trust
POYC	Pharmacy of Your Choice
PPR	Public Procurement Regulations
PR	Public Relations
P&SD	People and Standards Division
PS	Permanent Secretary
PSMC	Public Service Management Code
PSP	Public Social Partnership
PWD	Public Works Department

RfP	Request for Proposals
SABS	Social Assistance and Benefits System
SAC	Standing Advisory Committee
SAMB	State Aid Monitoring Board
SAV	Supervised Access Visits
SCSA	Social Care Standards Authority
SLA	Service Level Agreement
SOP	Standard Operating Procedure
SP	Service Pension
SPD	Sectoral Procurement Directorate
SPML	Social Projects Management Ltd
SQL	Structured Query Language
SRS	Salaries Reporting System
SSC	Social Security Contributions
SUP	Single Use of Plastic
SVP	St Vincent de Paul Residence
TOIL	Time Off In Lieu
UoM	University of Malta
VAT	Value Added Tax
VRD	Veterinary Regulation Directorate
WRA	Work Resources Allowance
WSC	Water Services Corporation
WSM	WasteServ Malta Ltd



INTRODUCTION



INTRODUCTION

The verification exercise and follow up action for the seventh edition of the governance action report on NAO recommendations were challenging for several reasons. The pandemic and limited resources within the Internal Audit and Investigations Department (IAID) posed restrictions during verification stage, while commitment to implement NAO recommendations was hindered by the change in ministerial portfolios and those of the respective Permanent Secretaries, with the remit for specific entities passing from one Permanent Secretary to another. Nonetheless, management replies regarding actions intended to address NAO recommendations were evaluated by IAID, recommending actions to improve an organisation's operations and good governance with a risk-based approach. IAID also conducted a number of closure meetings during which in-depth discussions were held with respect to feedback given by the management to the recommendations put forward by the Auditor General in his report for 2020.

This report includes follow-up actions on two audits reported by the NAO in his report for 2018, and one audit featured in the NAO annual report for 2019. These three audits, all falling under the remit of the Ministry for Health, had not been reported upon in the fifth and

sixth editions. The postponement for this reporting was necessary due to the priorities imposed by the pandemic. This report also includes the NAO's general comments on good practice for audits carried out during 2020. Commendation goes to three organisations: the Restoration Directorate, the Malta Stock Exchange and the Malta Information Technology Agency which have been found to be operating according to good practice for all verifications carried out by the NAO. Six other organisations – the Government Printing Press, the Treasury, the Armed Forces of Malta, the Civil Protection Department, Wasteserv Malta and the Housing Authority, were identified by the NAO as operating with sound internal controls.

The full account of how the Public Administration is implementing recommendations made by the NAO on the management of public funds is being reported in this publication. This report also delves into performance and IT audits carried out by the NAO in 2021, where one can find a detailed account of any actions being taken or already taken.

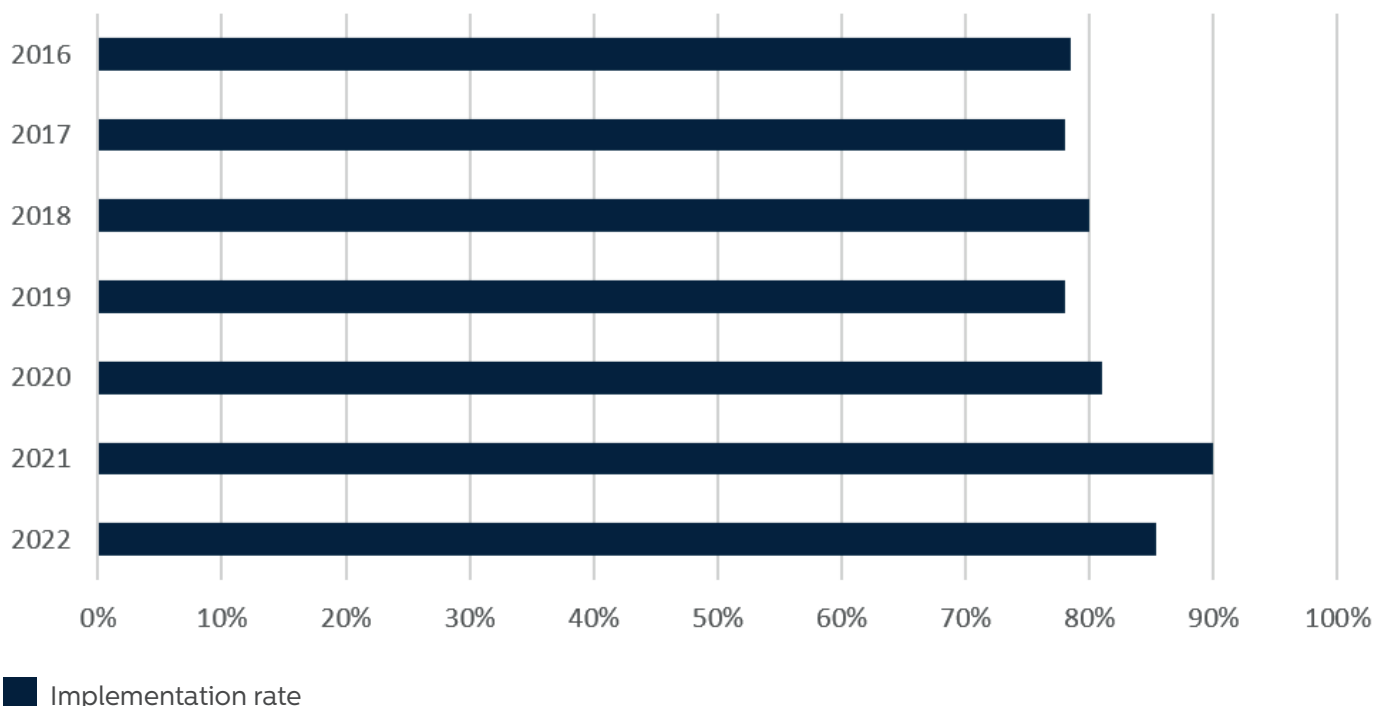
The Auditor General presented 537 recommendations in the report on Public Accounts 2020, of which 10 were not accepted, while 10 others were partially

accepted. From these 527 recommendations, the public administration designed 1171 actions to address risks and shortcomings arising from the various audit findings. 1000 of these actions were fully implemented by the end of September 2022.

The Public Administration has achieved a most creditable result which indicates a strong commitment

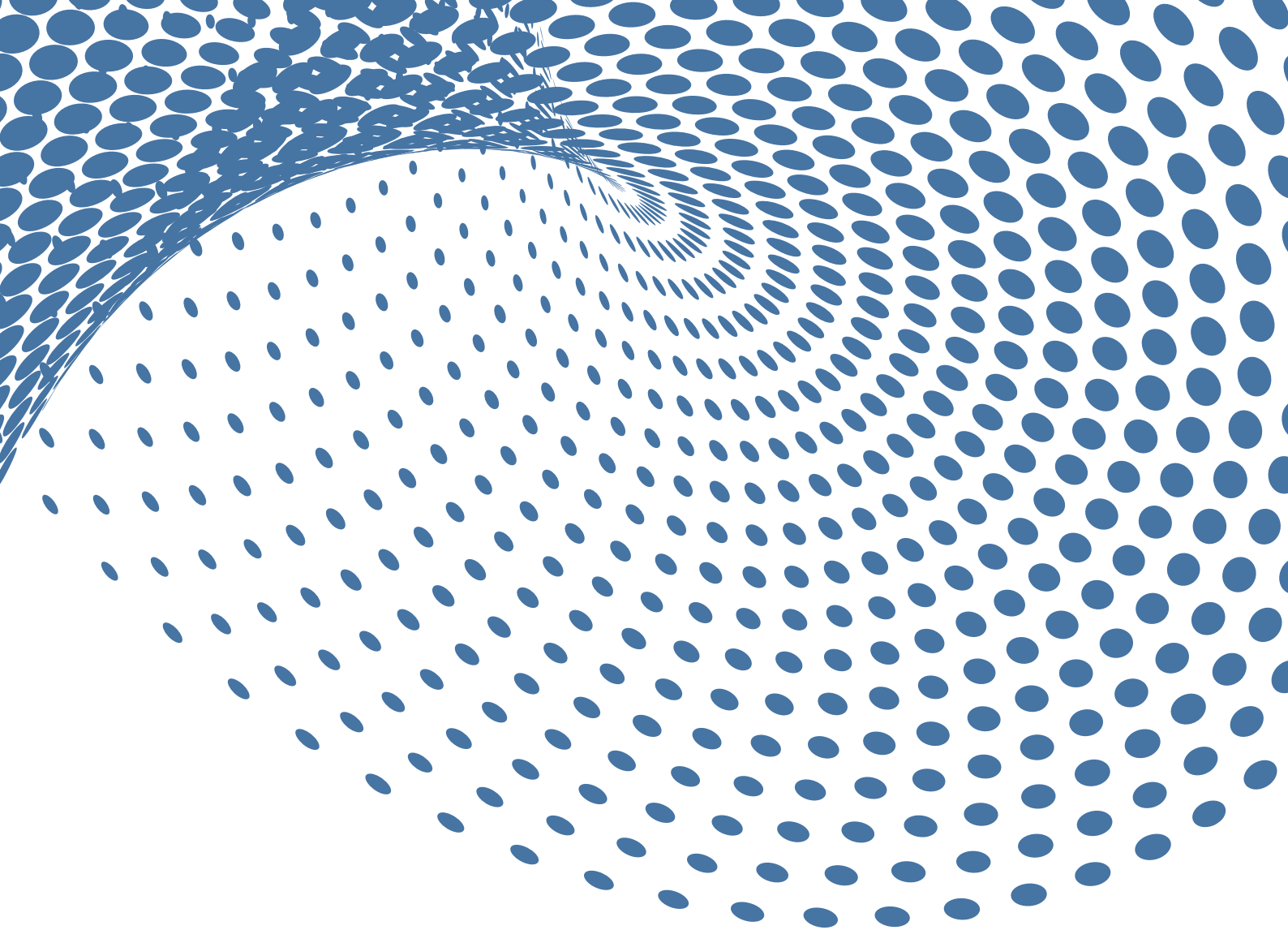
towards the adoption of good practice according to the principles of good governance. This commitment is evident in Table 1 below, giving an overview of the implementation rate of NAO's recommendations along the years, since the first publication of the Governance Action report on NAO's recommendations:

TABLE 1: IMPLEMENTATION RATES OF NAO RECOMMENDATIONS



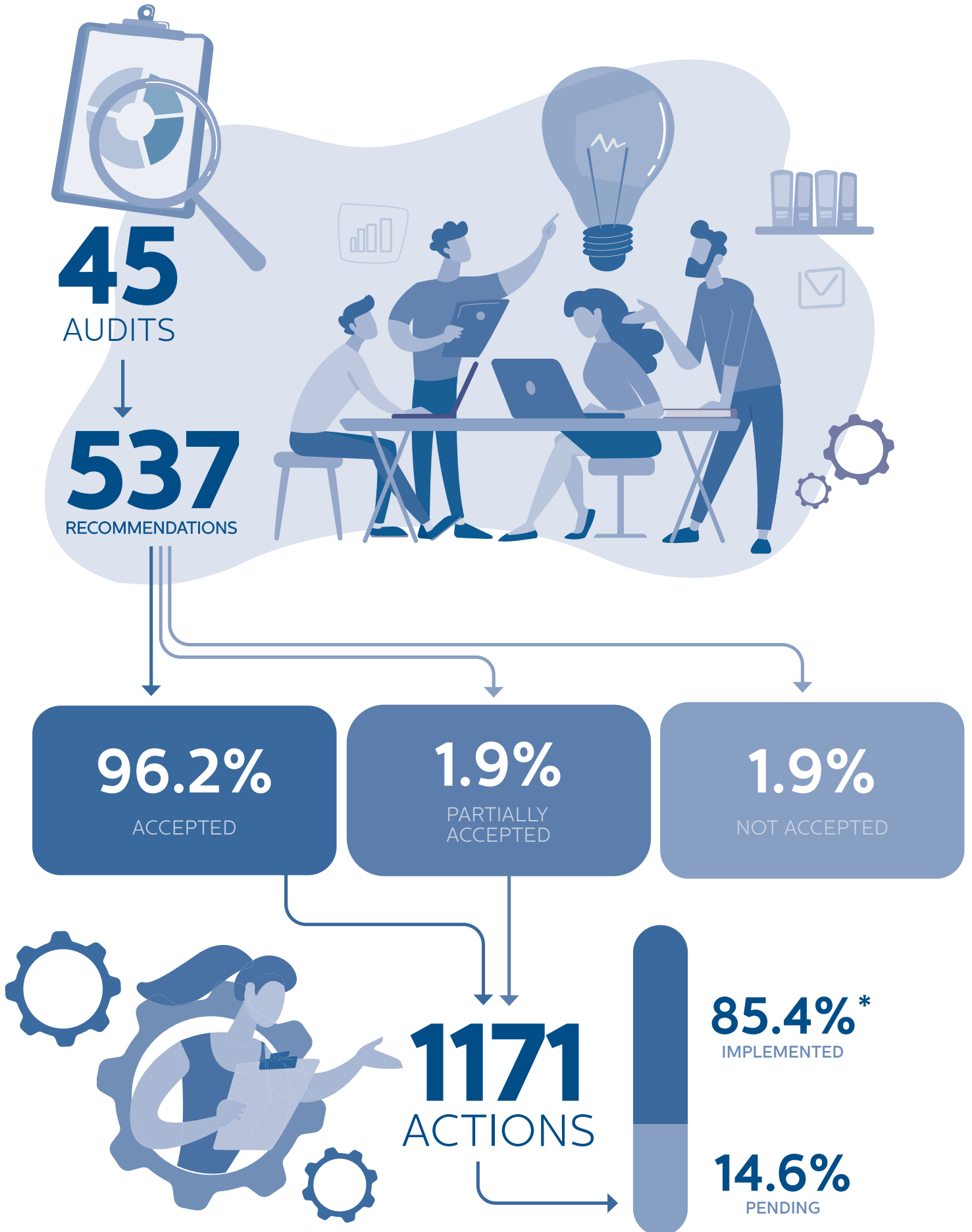
Despite the many challenges, the evidence shows that the public administration still managed to successfully implement 85.4% of all actions designed to address the recommendations in the Report by the Auditor General on Public Accounts 2020.

This achievement was only possible through the hard work of public officers, including Permanent Secretaries, heads and liaison officers of the audited ministries, whose commitment and adaptability produced these commendable results.

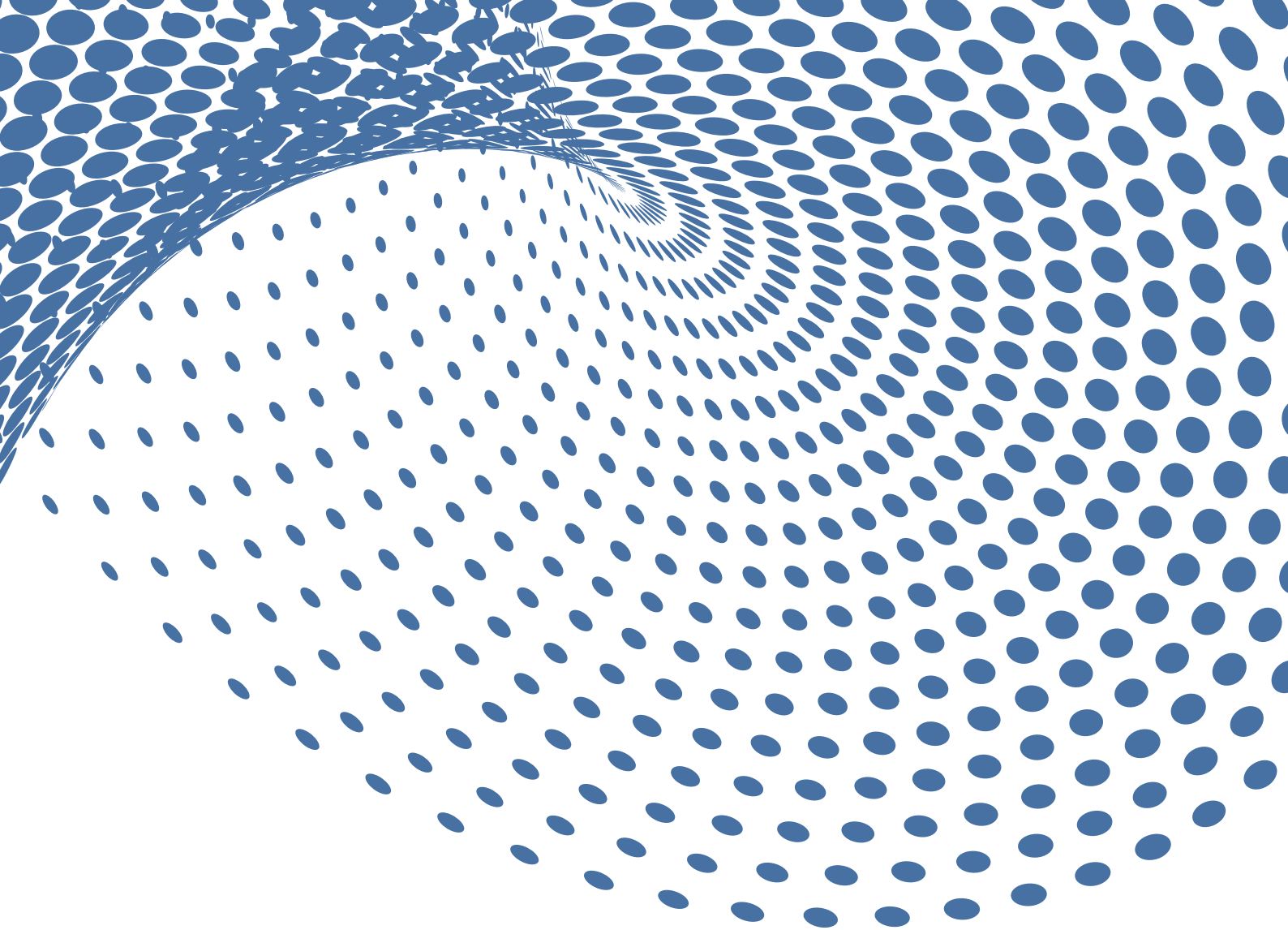


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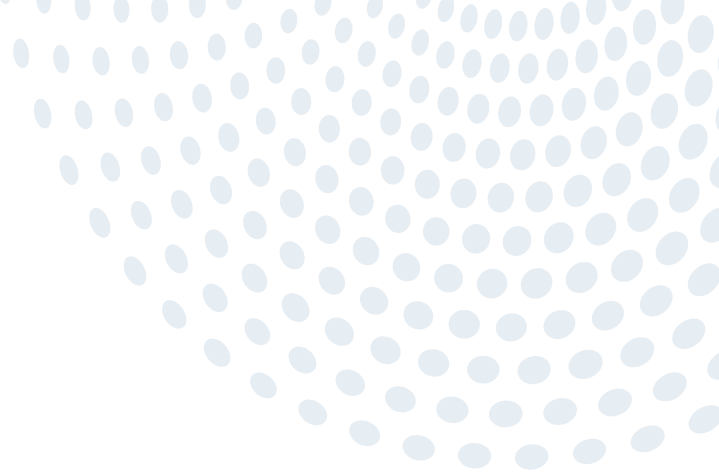
STATISTICS



*As at the end of September 2022



OFFICE OF THE
PRIME MINISTER



GOVERNMENT PRINTING PRESS

REVENUE AND EXPENDITURE

The Government Printing Press (GPP) renders services to all Ministries, Government departments and entities, as well as private companies, using the latest available technology. In February 1994, it became a partly autonomous department and in November of the following year, GPP moved from Valletta to Marsa Industrial Estate. GPP's organigram is split into three main sections: health and safety, operations (printing), and administration, all falling under the direct supervision of the Director. As at 31 December 2020, GPP's staff complement was 56.

The audit included an examination of the revenue from printing tasks, which is the main source of income, to verify its correctness and completeness. Another scope of the audit was to determine the level of existing controls over expenditure, including that relating to overtime and allowances, as well as ascertaining compliance with the pertinent legislation.

The audit was conducted with limitations on the scope of audit, arising from the obsolete Management Information System in use.

Follow-up action

The GPP issued a tender for the procurement of a new Management Information System (MIS). However, the only offer submitted did not satisfy all tender requirements. A new tender will be published in 2023, based on the findings of a market research which is currently being compiled.

In the interim GPP has created a database with standard workings and rates to calculate the cost of sales and issue quotations. These costings are being filed and retained for audit trail purposes. GPP is ensuring that a full audit trail is kept for each order – from quotation stage to receipt of payment – partly by the database and partly through CFMS.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>The Government Printing Press (GPP) was not able to provide a report comprising sales invoices which were settled during 2020, to reconcile the respective revenue with DAS receipts. This was due to Management Information Systems (MIS) reporting limitations, wherein receipts, relating to invoices issued prior to 2020, were excluded from the report. Consequently, testing to ensure the completeness of the income derived during the year under review could not be carried out. Moreover, performing revenue reconciliation exercises between MIS and DAS were deemed to be time consuming.</p> <p>Accepted</p>	<p>A tender for the procurement of a new Management Information System (MIS) was issued. However, the only offer submitted could not be considered on the basis that mandatory requirements were not satisfied.</p> <p>A new tender will be published, based on the findings of a market research which is currently being compiled.</p> <p>As from April 2021, GPP replaced DAS with CFMS and through it GPP pays its suppliers and receives payments from its clients. However, quotations, invoices, and job progress tracking are carried out through MIS, which is considered more suitable for GPP's needs.</p>	<p>Implemented</p> <p>January 2023</p> <p>Ongoing</p>
<p>GPP does not maintain documentation in support of manual workings to calculate the cost of sales which are recorded in MIS. Thus, the amounts charged to clients could not be verified as highlighted further down under Control Issues.</p> <p>Accepted</p>	<p>GPP has created an excel sheet to replace manual workings, incorporating standard workings and rates to calculate the cost of sales and issue quotations. These costings are being filed and retained for audit trail purposes.</p>	<p>Implemented</p>
KEY ISSUE		
<p><i>Lease of premises not formalised</i></p> <p>A new lease agreement, legally binding both parties with the applicable terms and conditions, is to be entered into without undue delay.</p> <p>Accepted</p>	<p>GPP and Industrial Innovative Solutions – Malta (INDIS) both agreed that a new lease agreement will be endorsed once the tender for the replacement of the ceiling is awarded, and related costs are established.</p> <p>A formal letter has been endorsed by GPP and INDIS where both parties agreed that the rent will remain the same as for previous years until a formal agreement is concluded.</p>	<p>Implemented</p> <p>Implemented</p>
<p>GPP is to ensure that there are no further delays to issue a call for tenders for the necessary roof repairs to commence as scheduled.</p> <p>Accepted</p>	<p>The tendering process and works are being steered by INDIS, and therefore time frames quoted are based on INDIS direction.</p> <p>INDIS issued tenders for architectural and engineering services and on-site meetings were carried out both by architects and engineers.</p> <p>A bill of quantities in relation to the new roof, inclusive of all ancillary items, was requested.</p> <p>Purlin testing has been carried out to ensure that the current structure can accommodate a solar panel form.</p>	<p>August 2023</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>System limitations</p> <p>GPP is encouraged to prioritise the procurement process in order to replace the obsolete system with a new one that adequately caters for GPP's requirements, including sufficient pre-set classification of job costings.</p> <p>Accepted</p>	<p>A tender was issued to replace the obsolete MIS with a new system which incorporates GPP's requirements; however, it could not be awarded as a number of the tender specifications were not met.</p> <p>A new tender will be published, based on the findings of a market research which is currently being compiled.</p>	<p>Implemented</p> <p>January 2023</p>
<p>Until this is available, it is advisable to retain soft copies of the manual workings supporting job costings to enable verification and ensure a robust audit trail.</p> <p>Accepted</p>	<p>GPP has created an excel sheet, incorporating standard workings and rates to calculate the cost of sales and issue quotations. A soft copy of these workings is being retained to ensure an audit trail.</p> <p>GPP is ensuring a full audit trail (from quotation to receipt of payment), partly by the excel sheet and partly through CFMS.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Provision for bad debts not taken</p> <p>Management is encouraged to obtain legal advice, to determine the prescription period, particularly in respect of the long outstanding amounts.</p> <p>Accepted</p>	<p>The GPP sought the advice of the State Advocate regarding outstanding amounts. The State Advocate advised that outstanding amounts due to the GPP are not statute-barred, owing to the fact that regular reminders and statements are being sent to the debtors.</p>	<p>Implemented</p>
<p>In the interim, it is advisable that an adequate provision for bad debts is taken.</p> <p>Accepted</p>	<p>GPP requested MFE approval for the provision of doubtful debts.</p> <p>GPP is chasing debtors on a regular basis by telephone and email.</p> <p>MFE contacted all debtors, demanding that all aged debts are to be settled.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

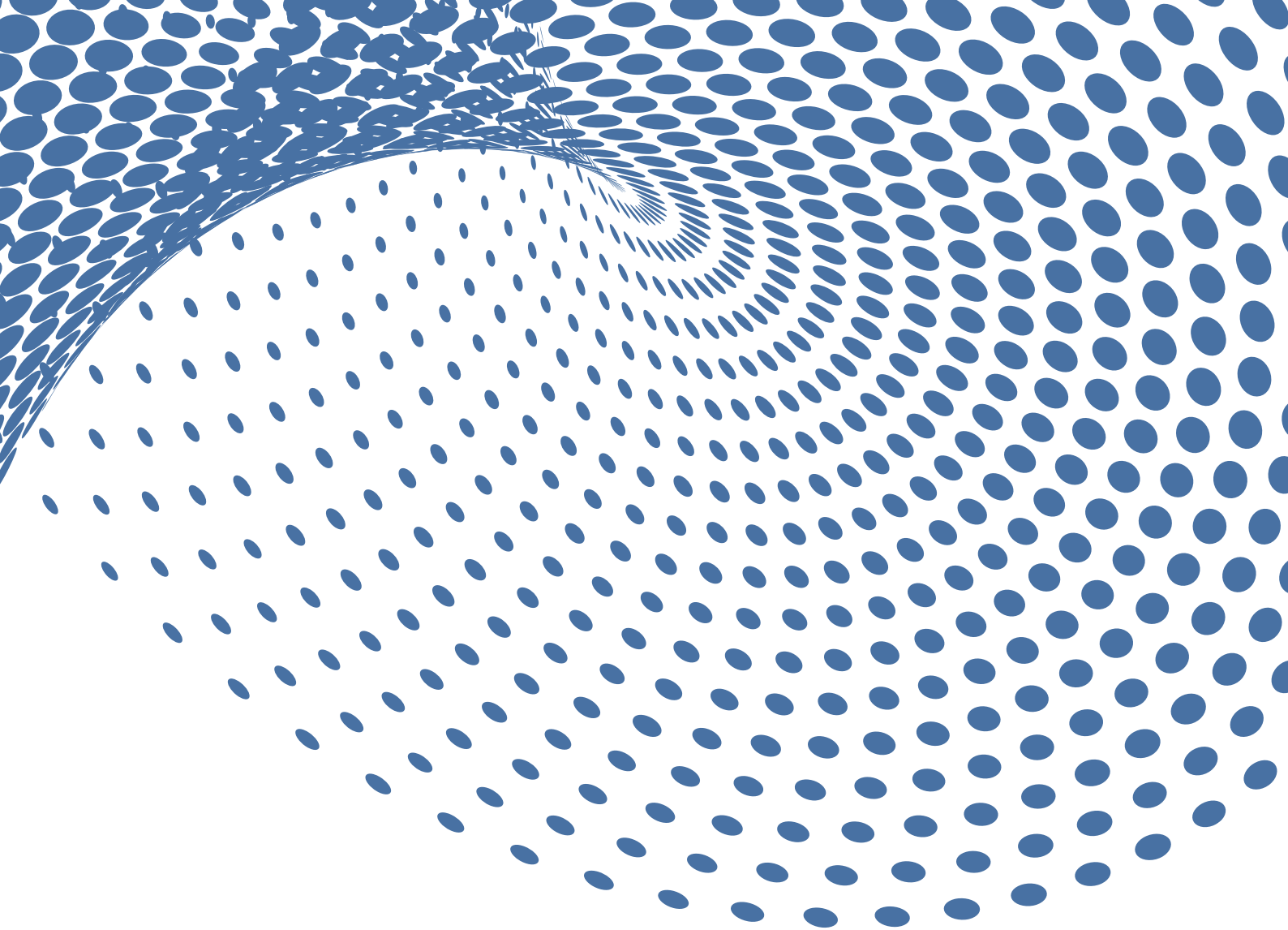
COMPLIANCE ISSUE

<p>Fiscal receipts not submitted</p> <p>GPP is to ensure that all fiscal receipts are submitted to support the respective payments and continue to chase suppliers until these are provided accordingly.</p> <p>Accepted</p>	<p>GPP ensures that officers concerned demand suppliers to submit missing VAT receipts and continue to chase them until these are provided accordingly.</p>	<p>Ongoing</p>
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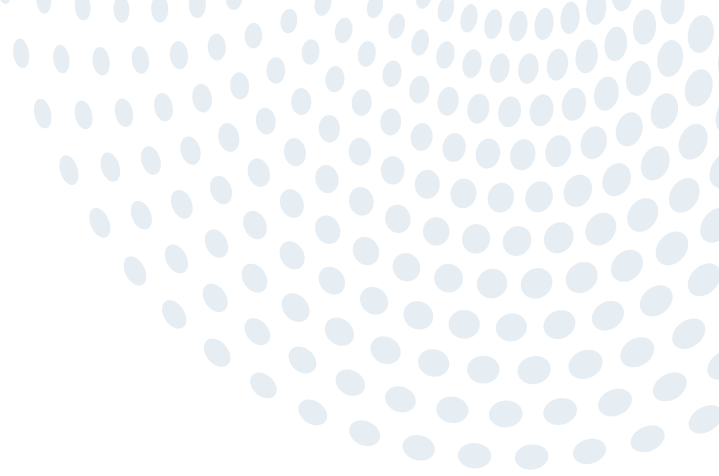
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>In cases where suppliers fail to adhere to VAT regulations, defaulters are to be reported to the VAT Department.</p> <p>Accepted</p>	<p>GPP ensures that officers concerned report to the VAT Department on a quarterly basis those suppliers who fail to adhere to VAT Regulations.</p>	<p>Ongoing</p>

POSITIVE OBSERVATION

Except for the issues reported above, testing carried out by the National Audit Office confirmed that the majority of controls were in place and in sound operation. The auditee also extended full cooperation during this audit assignment.



MINISTRY FOR
HEALTH



MINISTRY FOR HEALTH

EXPENDITURE

The use of transport within the public service is regulated by the provisions of the Public Service Management Code, the Manual on Transport and Travel Policies, as well as other pertinent circulars. The government's vehicles are primarily monitored through the Fleet Management System, a web portal administered by the Ministry for Finance and Employment (MFE) which, amongst others, provides authorised users with the facility of issuing fuel requisitions and performing reconciliations against invoiced amounts.

The main purpose of this audit was to assess the adequacy of the internal controls in place with respect to the acquisition and management of leased and hired vehicles across the Ministry for Health (MFH). The audit also sought to establish the reliability and adequacy of information as recorded in the fleet system, as well as to ascertain compliance with pertinent circulars and the relevant sections of the manual regulating transport.

The audit revealed a lack of centralised coordination which hindered proper verification. Various other control issues, including the procurement of vehicles not carried out in line with standing regulations, as well

as incomplete and incorrect data maintained on the Fleet Management System were noted.

Follow-up action

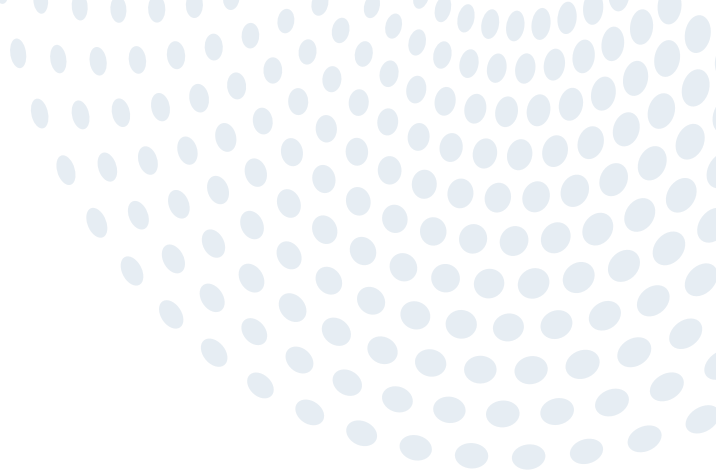
A Director (Contracts) was appointed to set up a centralised Contracts Management Unit. Contracted terms are being adhered to and contractors are issuing invoices with all the necessary details, as recommended by the NAO. MFH is ensuring that the PPR are invariably adhered to. To this effect, negotiated procedures are only entered into in cases of extreme urgency and after obtaining approval from the DoC.

To gain improved visibility, the Transport Office is requesting quarterly returns regarding leased vehicles in use by each department/unit, and related contract reference number. A bi-annual reconciliation exercise is being carried out between the quarterly returns regarding leased vehicles in use by each department/unit and the Fleet Management System (FMS). MFH obtains MFE approval for the lease or purchase of vehicles and the respective decision is based on cost-effectiveness.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUE		
<p><i>Lack of centralised management of hired and leased vehicles</i></p> <p>When an agreement covers various departments and entities, it is to be centrally managed by the contracting authority, thereby ensuring that agreed terms are adhered to by all parties and that control is maintained over the respective costs being incurred.</p> <p>Accepted</p>	<p>A Director (Contracts) was appointed in March 2022 with the responsibility to set up a centralised Contracts Management Unit.</p> <p>The Transport Office is requesting quarterly returns regarding leased vehicles in use by each department/unit and the related contract reference number.</p>	<p>Implemented</p> <p>Implemented</p>
CONTROL ISSUES		
<p><i>Procurement of the Ministry's vehicles not entirely in line with standing regulations</i></p> <p>In line with the applicable manual, the leasing or hiring of vehicles is to be resorted to only in cases where the economic benefit outweighs that associated with purchasing.</p> <p>Accepted</p>	<p>Prior to adding vehicles to the MFH fleet, prior approval is sought from the Ministry for Finance and Employment (MFE) for their lease or purchase.</p> <p>Decisions to lease rather than purchase vehicles are based on cost-effectiveness.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>In this regard, considering that the respective lease contracts were to expire towards the end of 2021, MFH is to prepare a cost-benefit analysis (CBA) and go for the most economically feasible option.</p> <p>Accepted</p>	<p>The vehicles leased for officers in headship positions, which were referred to in this audit, were returned and new replacement vehicles were purchased by MFH. This was done after approval was granted by MFE.</p> <p>A CBA was carried out during 2021 to determine whether it was more feasible to buy or lease vehicles for officers in headship positions.</p> <p>Vehicles are leased in line with the provisions of an established tender including the daily rate on which basis the tender is awarded to the cheapest bidder. Tenders are invariably approved by DoC which falls under MFE.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p><i>Non-emergency ambulances procured by means of negotiated procedures</i></p> <p>To ensure transparency, PPR are to be invariably adhered to.</p> <p>Partially accepted</p>	<p>During 2021, a tender for the provision of non-emergency transport, including the use of low emission vehicles, was issued.</p> <p>MFH is ensuring that the PPR are invariably adhered to. To this effect, negotiated procedures are only entered into in cases of extreme urgency and after obtaining approval from the DoC.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>In cases where procurement is affected by means of negotiated procedures, in addition to being supported by valid justifications, this is to be effected with due diligence, especially vis-à-vis repeat suppliers, thereby reducing, to the least extent possible, any inherent risks associated with procuring goods and services from an uncompetitive market.</p> <p>Accepted</p>	<p>Negotiated procedures are invariably being carried out in line with guidance given by the CPSU and after obtaining prior approval from DoC.</p> <p>In line with the direction given by DoC, instead of using repeat suppliers, calls for quotations are being issued as an interim measure until a tender is awarded.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>MFH is also to request contractors to include necessary details on invoices, in this case vehicle registration numbers and type, thereby enhancing audit trail.</p> <p>Accepted</p>	<p>Contractors are issuing invoices with all the necessary details, as recommended.</p>	<p>Implemented</p>
<p><i>Divergencies from contracted terms</i></p> <p>MFH is to ensure that contracted terms agreed with the suppliers of hired and leased vehicles are invariably adhered to.</p> <p>Accepted</p>	<p>Contracted terms are invariably adhered to.</p> <p>The contract for non-emergency ambulances was drawn up with the aim to maximise resources and took into consideration that MFH drivers are rarely absent on Sundays. For this reason, the services procured covered ambulances only. DoC approval was nonetheless obtained for ambulances with drivers on Sundays, together with 5% of the value for contingencies.</p> <p>A credit note was requested from the supplier for the additional days charged relating to the lease of two cars.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p><i>Incomplete or incorrect information in the fleet management system</i></p> <p>MFH is to ensure completeness and accuracy in the recording of data in the fleet system. To achieve this, the respective officials need to be aware of contract details and related approvals.</p> <p>Accepted</p>	<p>A bi-annual reconciliation exercise is being carried out between the quarterly returns regarding leased vehicles in use by each department/unit and the Fleet Management System (FMS).</p> <p>A memo was issued detailing the procedure that needs to be followed when recording data in the FMS.</p>	<p>Ongoing</p> <p>Implemented</p>
<p><i>Performance guarantees not in place</i></p> <p>MFH is to comply with pertinent circulars and ensure that performance guarantees are in hand for the duration of the contracts, to provide adequate safeguard in case of default by the contractor.</p> <p>Accepted</p>	<p>A Director (Contracts) has been recently appointed to implement a system whereby the monitoring of contracts and the keeping of performance guarantees are maintained on an ongoing basis.</p>	<p>June 2023</p>
<p>The central management of procurement of services will facilitate the necessary monitoring to ensure that contracts are covered by performance guarantees.</p> <p>Accepted</p>	<p>A new Director (Contracts) has been appointed with the responsibility to set up a centralised contracts management unit.</p>	<p>June 2023</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Ineffective reconciliation of fuel purchased</i></p> <p>Considering that enhancements to the fleet system fall within the remit of its administrators, MFH is to liaise with the responsible Directorate within MFE to address the risk of increasing the actual fuel intake.</p> <p>Accepted</p>	<p>MFE was notified of the recommendation made by the NAO for the enhancement of the FMS to address risks.</p>	<p>Implemented</p>
<p>In the meantime, MFH is to introduce additional levels of control wherein an independent officer approves divergencies from original fuel requisitions and reconciles them with invoices and fuel chits issued from the supplier. This would result in stricter controls and minimising the risk of possible fuel misuse.</p> <p>Accepted</p>	<p>The head of section of the non-emergency garage has been tasked with the approval of fuel divergencies from the original fuel requisitions and their reconciliation with invoices and fuel chits.</p> <p>The officer approving divergencies is independent from the officer who issued the fuel requisition.</p> <p>Petrol stations may not supply fuel exceeding the amount indicated on the fuel requisition.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Lack of monitoring of fuel supply</i></p> <p>Management is encouraged to monitor its fleet to restrict potential abuse in fuel consumption and make optimum use of its vehicles.</p> <p>Accepted</p>	<p>MFE sends a bi-annual report to MFH regarding its vehicles.</p> <p>Vehicles that are highlighted by MFE as being fuel inefficient are referred for inspection by a vehicle technician, while leased vehicles are sent back to the supplier to be checked.</p> <p>MFH is also ensuring that vehicle use is evenly split between all vehicles.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>



MATER DEI HOSPITAL: NON-MEDICAL EQUIPMENT FACILITIES MANAGEMENT EXPENDITURE

Being the main hospital-based service provider in Malta, Mater Dei Hospital (MDH) offers an extensive range of services, including emergency, day care, outpatient, diagnostic, and specialised services. Driven by the citizens' ever-increasing demand and expectations, the government is continually allocating a substantial amount of its annual budget to MDH for it to be able to operate efficiently, investing in both medical and non-medical equipment, as well as the maintenance and servicing thereto.

The main purpose of this audit was to establish whether services procured from the foregoing line item were acquired in line with the provisions of the Public Procurement Regulations (PPR). Audit checks also sought to assess the adequacy of the audit trail and that verifications by MDH, including confirmation of invoiced amounts against contracted rates, were carried out ahead of effecting payments.

The audit revealed instances whereby PPR, as well as contracted obligations, were not duly respected. Amongst others, this included retrospective or lack

of approval for negotiated procedures and when procurement was made by direct order. A number of service contracts were also not covered by a performance guarantee.

Follow-up action

CPSU and MDH are ensuring compliance to the PPR through the introduction of rigorous checks and balances. An internal policy, detailing the procedure for negotiated procedures, has been drawn up in line with the PPR, directing entities to obtain authorisations prior to entering into any commitments. To strengthen the procurement function, including procurement planning and contract management, MDH is carrying out an internal review to determine the optimal set-up for a team to support the drawing up of tender specifications.

Performance guarantees and insurance policies are being filed, monitored and kept updated, and retention money is being withheld, in accordance with contract provisions.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Negotiated procedures</i></p> <p>Public Procurement Regulations (PPR) are to be invariably adhered to.</p> <p>Accepted</p>	<p>The procurement carried out by Mater Dei Hospital (MDH), through CPSU, is in line with the NAO's observations.</p> <p>MDH is carrying out an internal review to determine the optimal set-up for a team to support the drawing up of tender specifications, possibly composed of scientific officers.</p> <p>A tender has been awarded and the services are being rendered through a regular contract.</p>	<p>Implemented</p> <p>December 2022</p> <p>Implemented</p>
<p>In cases where procurement is effected by means of negotiated procedures, MDH is to invariably ensure that approval from the responsible authority is sought ahead of commitment.</p> <p>Accepted</p>	<p>The pertinent policy has been updated to direct all entities to obtain authorisations ahead of commitment through a predefined procedure in accordance with financial thresholds set out in the PPR.</p>	<p>Implemented</p>
<p>Moreover, in addition to being supported by valid justifications, procurement by means of negotiated procedures is to be effected with due diligence, especially vis-à-vis repeat suppliers, thereby reducing, to the least extent possible, any inherent risks associated with procuring goods and services from an uncompetitive market.</p> <p>Accepted</p>	<p>A tender for the provision of landscaping and water irrigation services was issued and is in the evaluation stage.</p> <p>Until the tender is awarded, services are being rendered on the basis of a contract valid up to December 2022.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Approval is also to be sought in instances of renegotiations resulting in a different contracted value from that originally approved.</p> <p>Accepted</p>	<p>The case referred to by the NAO resulted in significant savings on the original estimate. Approval is invariably sought when renegotiations result in a higher value than that originally approved.</p> <p>The university consultancy services was appointed to perform a cost benefit analysis to determine the feasibility of upgrading the present system versus a new system.</p> <p>A request for a three-month extension after December 2022 was made to allow time to set up a new contract if it is considered more feasible to upgrade the current system.</p>	<p>Ongoing</p> <p>October 2022</p> <p>Implemented</p>
<p><i>Supporting documentation lacking necessary details</i></p> <p>Documentation to confirm that contractual obligations have been delivered to the satisfaction of MDH is to be invariably maintained, also enabling audit trail and external verification.</p> <p>Accepted</p>	<p>MDH officers are present during the maintenance carried out by the contractor to ensure that contractual obligations are adhered to.</p> <p>Checklists to document the maintenance carried out have been introduced and are in place.</p> <p>These checklists are subsequently verified by technical staff.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Contracted terms not complied with</p> <p>Unless duly justified, MDH is to ensure that timeframes for delivery of works agreed to with suppliers are invariably maintained by the latter.</p> <p>In case of delays by the supplier, the respective penalty clause is to be applied.</p> <p>Accepted</p>	<p>MDH is retaining documented evidence in instances of delay, including any justifications, where penalties are contemplated in terms of the applicable contract provisions and standard practice.</p> <p>In the case reported, no penalties were applied since the delays were the result of the limited time given by MDH for the contractor to operate.</p>	<p>Ongoing</p>
<p>Monies are to be retained in line with contracted terms, thereby safeguarding the interests of MDH in the case of default concerning material supplied and works carried out.</p> <p>Accepted</p>	<p>Retention money is being withheld whenever this clause is included in the pertinent contract.</p> <p>MFH is in the process of reviewing its Contract Management function, in view of an ever-growing need for competent human resources as well as IT systems specifically designed to support this function. The proper recording and withholding of retention money will feature in this review.</p>	<p>Ongoing</p>
<p>Service agreements not covered by performance guarantees or insurance policies</p> <p>MDH is to invariably obtain performance guarantees of 10% of the contract value for procured services exceeding €500,000 (VAT excl.), and of 4% in the case of contracts with values above €10,000 (VAT excl.) but below €500,000 (VAT excl.). This will ensure protection from financial losses should the service provider fail to perform the contractual obligations.</p> <p>Accepted</p>	<p>MDH has a centralised database of performance guarantees. These are kept updated, as far as possible, and renewed annually unless otherwise released from contractual obligation.</p> <p>MFH is in the process of reviewing its Contract Management function, in view of an ever-growing need for competent human resources as well as IT systems specifically designed to support this function. The proper recording and retention of Performance Guarantees will feature in this review.</p> <p>To strengthen the procurement function, MDH is carrying out an internal review to determine the optimal set-up.</p> <p>MDH has adopted the single performance bond policy implemented by the Department of Contracts to reduce administrative burdens and to ensure better controls.</p>	<p>Ongoing</p> <p>December 2022</p> <p>Implemented</p>
<p>Furthermore, a copy of the respective bank guarantees is to be maintained on file for future reference.</p> <p>Accepted</p>	<p>Bank guarantees are filed manually and they are also kept on a spreadsheet.</p> <p>MFH is in the process of reviewing its Contract Management function, in view of an ever-growing need for competent human resources as well as IT systems specifically designed to support this function. The proper recording and retention of Bank guarantees will feature in this review.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>MDH is expected to request and keep in file a copy of the related insurance policies and ensure that these are duly renewed upon expiration to mitigate exposure to unnecessary risks.</p> <p>Accepted</p>	<p>Whenever contract terms require an insurance policy, the latter is filed in the pertinent procurement file.</p> <p>MFH is in the process of reviewing its Contract Management function, in view of an ever-growing need for competent human resources as well as IT systems specifically designed to support this function. The proper recording and retention of Insurance Policies will feature in this review.</p>	<p>Ongoing</p>
<p><i>Procurement by direct order effected without necessary approvals</i></p> <p>MDH is to ensure that procurement is invariably carried out in line with the requirements of PPR, with the necessary approvals being sought ahead of commitment.</p> <p>Accepted</p>	<p>CPSU and MDH are ensuring compliance to the PPR through the introduction of rigorous checks and balances.</p>	<p>Ongoing</p>
<p>As much as possible, MDH is encouraged to plan ahead, thereby avoiding procurement by direct order with this only being resorted to in exceptional circumstances.</p> <p>Accepted</p>	<p>CPSU and MDH remediated through more rigorous checks and balances, including a document on sharepoint which flags expiring contracts.</p> <p>Joint meetings with departmental heads are being held regularly to plan ahead requirements.</p>	<p>Ongoing</p> <p>Implemented</p>
COMPLIANCE ISSUE		
<p><i>Transactions recorded against the incorrect budget line item</i></p> <p>Funds payable by other entities within the same Ministry in the course of their operations are to be transferred accordingly to the respective entity and reflected in the books of account of the latter, thereby ensuring fair presentation of the financial records.</p> <p>Accepted</p>	<p>Payments are being handled by the operating entity.</p>	<p>Implemented</p>
<p>Whilst recognising that 2020 was MDH's initial year of using CFMS as its accounting system, and thus certain errors were prone to occur, it is imperative to ensure that the correct line items are used when posting transactions.</p> <p>Accepted</p>	<p>CFMS was adopted as MFH's accounting system in 2020. Since then, the practice has facilitated the understanding and proper use of the system, including knowledge of line items and ensuring that the correct line items are utilised.</p>	<p>Implemented</p>



FOUNDATION FOR MEDICAL SERVICES

PERSONAL EMOLUMENTS

Set up as a public entity in 1990, the Foundation for Medical Services (FMS) has a project-management and technical services remit that extends across the public healthcare landscape in Malta. The foundation's expertise, aimed at delivering high-quality and cost-effective projects, makes it the Ministry for Health's (MFH) main reference point in healthcare infrastructure. The professional services required for the entity to fulfil its mission are mainly provided in-house through the employment of a team of architects, engineers, project managers, as well as other professionals.

The main purpose of the audit was to assess the adequacy of the internal controls in place with respect to the payments of personal emoluments and their accuracy. The audit also sought to establish whether the entity is compliant, in all respects, with the provisions of the applicable rules and regulations, including Directive 7, pertinent collective agreements, the Public Service Management Code (PSMC), as well as internal standard operating procedures and policies relating to human resources (HR).

The audit revealed concerns regarding the engagement of officials whose positions do not feature in the entity's approved human resources plan, as well as

in the appointment of persons on a trust basis. Other human-resource-related shortcomings, pinpointing towards the need to enhance the entity's internal controls, were also identified.

Follow-up action

To increase internal controls related to human resources, the FMS has procured payroll software for the recording of attendance and implemented a revised time and attendance policy. Attendance records are being monitored regularly.

Expiring contracts of employees engaged on a person of trust basis are not being renewed. The FMS is carrying out all its recruitment in terms of Directive 7 issued under the Public Administration Act. The foundation will be drawing up two separate HR plans and staff lists: one set for employees working at FMS and another for FMS employees who are deployed with entities within the MFH, as both categories of employees are paid by FMS in accordance with the salary structure approved by the Industrial Relations Unit.

The FMS has adopted the procedures applicable to the Public Service for the payment of a qualifications allowance and for official travel.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>Due to the limitations posed by the COVID-19 pandemic, during the period mid-March to June 2020, Foundation for Medical Services (FMS) officers were carrying out their duties remotely. As a result, this Office could not verify the attendance records of the officers falling within the audit sample for the period in question.</p> <p>Accepted</p>	<p>During the time of the audit, the Dakar system was not fully implemented. Due to the Covid outbreak the integration was paused.</p> <p>However, the Dakar system is now in place and during the second lockdown in 2021, employees recorded working from home as telework on the Dakar system.</p>	<p>Ongoing</p>
KEY ISSUES		
<p>Officers carrying out duties with other health entities pegged to the Foundation's salary structure</p> <p>The Foundation is expected to regularise its position with respect to such engagements by:</p> <ul style="list-style-type: none"> Amending its Statute to better reflect the Foundation's remit to recruit on behalf of MFH. <p>Accepted</p>	<p>FMS clarified that it recruits at the behest, not on behalf, of the Ministry for Health (MFH). FMS is the employer of the employees it recruits, so much so that the entity is responsible for the benefits and discipline of these employees.</p> <p>FMS was advised by its legal counsellor that a change to its Statute was not required. Nonetheless, FMS will implement administrative changes to improve its operations in this regard.</p>	
<ul style="list-style-type: none"> The positions in question are also to feature in a separate HR plan and approved by the Industrial Relations Unit (IRU). <p>Accepted</p>	<p>The FMS will draw up two separate HR plans and staff lists: one set for employees working at FMS and another for FMS employees who are deployed with entities within the MFH.</p> <p>The number of vacancies in each position are approved by the IRU.</p> <p>Both categories of employees are paid their salary by FMS, in accordance with the salary structure approved by the IRU.</p> <p>Recruitment is carried out in accordance with the provisions of Directive 7.</p>	<p>December 2022</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Appointment of persons on trust basis</p> <p>These appointments are to be invariably approved as per the provisions of the pertinent policy.</p> <p>Accepted</p>	<p>Recruitment at the request of MFH is being carried out by issuing calls for applications with a subsequent selection process, in line with Directive 7.</p> <p>Expiring contracts of employees engaged on a person of trust basis (POT) are not being renewed. At that juncture, a call for applications for the filling of the respective positions will be issued and a subsequent selection process will be carried out accordingly, in line with Directive 7.</p>	<p>Implemented</p> <p>Implemented</p>
<p>In line with the PSMC, appointment of officers on a trust basis is only to be sought in the case where both internal and external calls for the related posts were unsuccessful.</p> <p>Accepted</p>	<p>Direct appointments will be restricted to those key positions (not CEO) in which the need to preserve continuity is crucial to avoid creating dangerous lacunae in the operational aspect of hospital management.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Officers occupying executive roles cannot hold such an appointment while simultaneously be considered as persons of trust. Thus, FMS is to rectify its position in terms of such contracts, thereby enhancing transparency.</p> <p>Accepted</p>	<p>FMS will be implementing an internal recruitment policy and SOP to ensure that exceptions as the one identified by the NAO do not recur.</p> <p>FMS employees are allowed to submit applications for internal calls for applications issued through FMS. Their application would need to satisfy specific eligibility requirements stated in the call for applications.</p>	<p>June 2023</p> <p>Ongoing</p>
<p>These appointments are to be invariably approved as per the provisions of the pertinent policy.</p> <p>Accepted</p>	<p>The attainment of an indefinite status is not included in the contract of engagement of a POT. Such officers are granted indefinite status only if they are engaged on contract following success in a selection process after the issue of a call for applications.</p> <p>Employees employed externally from grade 4 downwards are being employed on the minimum of the salary.</p> <p>If exceptional circumstances require higher remuneration, the approval from the Permanent Secretary and the IRU is being sought.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

CONTROL ISSUES		
<p><i>Divergencies from the terms of the collective agreement</i></p> <p>Management is to ensure that the terms of the collective agreement are duly followed, thereby avoiding unfair and inequitable treatment between employees.</p> <p>Accepted</p>	<p>FMS is invariably adhering to the terms of the collective agreement.</p> <p>New recruits are being recruited on the minimum of salary scale, and all employees are being paid in line with the approved pay structure, as set out in the collective agreement.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p><i>Inadequate control over attendance records</i></p> <p>Attendance records are to be adequately reviewed to ensure completeness and accuracy of the reported times.</p> <p>Accepted</p>	<p>FMS implemented a revised time and attendance policy.</p> <p>All overtime sheets are endorsed by the respective superior, the total hours claimed are re-checked and paid accordingly.</p> <p>Attendance records are being monitored on a monthly basis. Daily clockings, as well as authorised absences are recorded in the payroll software. Any unauthorised absence is deducted automatically from the basic pay of the respective employee.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The Attendance Verifications Systems Policy and Guidelines should serve as an aid in this regard.</p> <p>Accepted</p>	<p>The payroll system and the overtime approval and verification procedure are ensuring completeness and accuracy of attendance.</p> <p>The revised time and attendance policy was circulated to all employees.</p> <p>The management is ensuring compliance.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>Employees of the Foundation performing duties at other entities or Ministries</p> <p><i>Employee performing duties at another Ministry</i></p> <p>The detailing of officers to perform particular duties in the public service is to be carried out in line with the provisions of the PSMC, with approvals being sought where necessary. Thus, the Foundation is to regularise its position with respect to its deployed officers.</p> <p>Accepted</p>	<p>To regularise the situation, the procedure set out in section 5.7 of the Manual on Resourcing Policies and Procedures has been initiated.</p>	<p>Implemented</p>
<p><i>Employee performing duties at Mater Dei Hospital</i></p> <p>The training of FMS officers is also to be formally documented, with the related attendances being confirmed by the respective trainer.</p> <p>Accepted</p>	<p>Employees' absence while on training at MDH is recorded on the payroll system as a site visit.</p> <p>This absence is approved beforehand by the respective superior.</p> <p>The procedure has been included in the revised time and attendance policy and the pertinent SOP.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>Lack of ministerial approval for the performance bonus of a high-ranked official</p> <p>Formal documentation supporting decisions taken with respect to the payment of performance bonuses, including any relevant endorsements, is to be invariably maintained by the Foundation, thereby enabling verification of the payments made while also enhancing transparency.</p> <p>Accepted</p>	<p>Decisions on the performance bonus rating granted are being justified and minuted in the respective FMS board meeting minutes.</p> <p>FMS is ensuring that all endorsements for the grant of a performance bonus are obtained as specified in the respective contract of employment.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Divergencies from Human Resources Plan</p> <p>Prior to any departures to the entity's approved HR plan, formal approval is to be sought from the IRU.</p> <p>Accepted</p>	<p>Before resorting to any departures from the HR plan, FMS is seeking the approvals a priori from the Ministry and the IRU.</p> <p>With regard to the case highlighted by the NAO, the employee in question had been on unpaid leave but remained on the books of FMS. Upon the employee's resumption of duty, s/he was assimilated within the revised grading and salary structure.</p> <p>This practice will be reflected and formalised in a new recruitment policy.</p>	<p>Ongoing</p> <p>June 2023</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Departures from approved salary structure 2019-2022</i></p> <p>FMS salaries and allowances are expected to be paid in accordance with FMS's salary structure as approved by the IRU and with standing legislation.</p> <p>Accepted</p>	<p>The FMS is adhering to the salary structure approved by IRU and, unless a more beneficial pre-existing agreement must be honoured, salaries are being paid according to the approved salary structure.</p> <p>The FMS formalised the procedure and practice of granting a qualification allowance to eligible employees through the approval of the FMS Board in March 2021.</p> <p>Subsequently, the FMS sought and obtained IRU approval for the grant of a qualification allowance to eligible employees.</p> <p>The FMS follows the procedure for the grant of a qualifications allowance, as set out in the Manual of Allowances.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p><i>Grant of time-off in lieu for official travel during weekends</i></p> <p>The Foundation is to invariably adhere to the requirements of the PSMC and other pertinent circulars regarding entitlements and compensation in connection with travel on official duty.</p> <p>Accepted</p>	<p>The FMS has adopted the travel policy applicable to the public service, as set out in the PSMC and pertinent circulars.</p>	<p>Implemented</p>



MOUNT CARMEL HOSPITAL

CAPITAL EXPENDITURE (2019)

Since its establishment in 1861, Mount Carmel Hospital (MCH) has served as the main institution dealing with mental infirmity and assisting persons who require specialised treatment and care, as well as support for their social network.

During 2019, with the intent to complement the launching of the 10-year Mental Health Strategy, the government devised a plan to improve the hospital's physical environment by addressing serious infrastructural problems and modernising the current wards. In addition, it is envisaged that within a period of 10 years, a new mental hospital for acute cases will be built next to Mater Dei Hospital (MDH).

The main purpose of the audit was to determine the level of internal controls over the procurement and use of items of a capital nature, as well as to ensure efficient administration of public funds, in line with standing laws, regulations, policies and procedures, also making recommendations where warranted. Other objectives were to assess the reliability and adequacy of information available for decision-making and accountability purposes, as well as to ascertain that resources were used judiciously.

The audit identified internal control weaknesses in various areas leading to non-compliance with standing laws and regulations, as well as delays in presenting audited financial statements and management accounts. It was also noted that, since 2008, the

hospital had been operating continuously with a running deficit. This situation led to the continuous deferment of payments.

Follow-up action

MCH has taken several actions to increase controls for procurement and contract management, including the setting up of an internal procurement committee, the engagement of a manager to oversee procurement and contract management, the use of an IT contract management system, and regular reconciliation between supplier statements and the accounting system. Procurement policy notes issued by the Department of Contracts are being adhered to. Moreover, all invoices must be certified correct prior to effecting payment.

Financial statements up to 2020 have been concluded and management accounts are being issued regularly on a monthly basis. Almost all debts have been settled. The remaining arrears covering a three-month period will be settled by the end of 2022. Action has also been taken to ensure that no commitments are entered into unless funds are available.

MCH has carried out an exercise to collate the physical inventory of fixed assets. A database of all inventory items has been created, with each asset assigned an identification number and tagged. Internal controls have been established to keep the fixed asset register updated.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>Audit testing in the following area was hindered since MCH did not provide the relevant documentation or explanations to the audit queries within a reasonable timeframe.</p> <p>Not accepted</p>	<p>All documentation that was asked for was provided. At the time that the audit was being held, MCH was closing off the annual stock take. A delay in the submission of documents is attributed to this factor. MCH management requested that the audit be held during an alternative period but this request was not acceded to by the NAO.</p>	
<p><i>Provision of civil works as part of the refurbishment of the hospital</i></p> <p>During 2019, a negotiated procedure was entered into with four service providers for civil works, including the demolition and structural alterations as part of the refurbishment at MCH. Requests for further clarifications for the following queries remained unanswered:</p> <p>a. The basis on which the four services providers were selected and why rates charged by each contractor for homogenous work carried out was not the same.</p> <p>b. Related bills of quantities dated in 2017 were manually amended in 2019 and included charges which were neither quoted for in the bid nor included in the contract. Payment was still approved by MCH and processed accordingly, but a justification was not traced in file.</p> <p>c. No confirmation was provided as to whether MCH was covered by the necessary performance guarantee and insurance policy. Furthermore, justification why MCH did not apply the retention money clause stated in the respective contract was not given.</p> <p>Accepted</p>	<p>MCH was advised by CPSU to issue requests for participation for each trade. No similar framework agreements were entered into.</p> <p>All requests for works are being communicated to CPSU for the issue of tenders or requests for quotations through EPPS.</p> <p>A procedure was adopted to the effect that all invoices must be certified by the responsible architect/project manager prior to payment. When additional charges arise, the request is sent through CPSU to the Department of Contracts (DoC) with the justification from the project team as to why additional charges are required.</p> <p>The contracting authority for carrying out works at MCH is the CPSU. Hence all performance guarantees are kept at the CPSU. MCH has requested copies from CPSU of all performance guarantees for each contract. Copies of these performance guarantees are being retained at MCH and are being followed up.</p> <p>Project managers have been directed to notify MCH Finance in cases where the retention money clause needs to be applied.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Provision of structural engineering designs for Male Ward 2</p> <p>In 2018, a direct order approval for the provision of structural engineering designs for Male Ward 2 for the amount of €88,300 excluding VAT and a rate of €70 (VAT excl) per hour for any additional structural engineering work was approved by the MFIN. Following payments of €63,700 (VAT excl) for services rendered in 2018, in April 2019 MCH decided to discontinue work relationship with the respective company, notwithstanding that the contract covered all phases of the project.</p> <p>In this regard MCH did not provide:</p> <p>a. Feedback as to whether the amount of €63,700 (VAT excl) paid during 2018 incorporated any designs that had to be discarded in view that the service provider did not approve the use of these designs; and</p> <p>b. Clarification as to why the contract with the service provider was terminated prematurely.</p>	<p>The direct order was for the provision of structural consultancy.</p> <p>An initial inspection established that structural problems were more widespread, thus changing and expanding the scope of the assigned consultancy.</p> <p>In order to take a more competitive approach, a tender was issued for this service.</p> <p>Structural design carries with it a responsibility and liability and structural engineers will only assume responsibility for their own design.</p> <p>The first contract was terminated to use a more competitive procurement approach given the expansion of the project.</p>	

Not accepted

KEY ISSUES		
<p>Weak internal controls</p> <p>Lack of appropriate internal controls hinders MCH from being in a position to identify errors and irregularities and take the necessary corrective action in a timely manner. Thus, Management is to ensure that ongoing monitoring, to evaluate and improve the design, execution, and effectiveness of internal controls, is duly carried out.</p>	<p>A number of steps were taken to increase effective controls for procurement and contract management. These include the:</p> <ul style="list-style-type: none"> - setting up of an internal procurement committee; - engagement of a manager to oversee procurement and contract management; - use of an IT contract management system; - Reconciliation of supplier statements with the MCH accounting system. <p>The financial controller has given direction that all invoices must be certified correct, with substantiating documentation, before being processed for payment.</p> <p>SOPs in place are being updated to ensure compliance with established rules and regulations.</p> <p>Procurement Policy Notes issued by the DoC are being adhered to.</p> <p>During 2019, the financial statements for 2016, 2017, and 2018 were concluded. Subsequently, financial statements were concluded for the years 2019 and 2020.</p> <p>Monthly management accounts are being issued regularly.</p>	<p>Implemented</p> <p>Implemented</p> <p>December 2022</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Deferment of payments</p> <p>Claims spilling over from one year to the next should be kept at the absolute minimum, limited to that which is absolutely unavoidable.</p> <p>Accepted</p>	<p>A 30-day credit policy has been adopted to cater for delays in certification or invoices being sent late by the supplier.</p> <p>The debt overdue to the Lands Authority was settled in 2020.</p> <p>The funds approved for virement by MFE were used to settle dues with the Cfr. Monthly FS5 payments are now being made regularly. The remaining 3-month arrears dating back to pre-2020 will be settled by the end of 2022.</p>	<p>Implemented</p> <p>Implemented</p> <p>December 2022</p>
<p>Furthermore, Management is to ensure that no commitments are entered into before it ascertains that sufficient funds are available.</p> <p>Accepted</p>	<p>The CPSU has established that a commitment form is a mandatory requirement prior to the issue of a tender.</p> <p>The financial controller informed all parties concerned that no commitment forms would be signed off unless funds are available.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Fixed Assets Register not updated</p> <p>Government's assets are to be adequately safeguarded. To this effect, adherence to inventory control regulations is solicited.</p> <p>Accepted</p>	<p>In September 2020, the exercise of taking stock of the fixed assets was initiated and recorded. The exercise of collating the physical inventory was concluded by the first quarter of 2021.</p> <p>The accounting process of reconciling and adjusting the book records vis-à-vis existing items resulting from the physical stock-taking exercise, write-offs, and adjustments to depreciation is ongoing and is reflected in the financial statements for 2021.</p> <p>Internal controls have been established to maintain the register updated by copying in the officer in charge of inventory with all requests for the transfer of assets and related approval by the CEO.</p> <p>The writing-off of unserviceable items is being carried out in line with regulations. Any such items are being accounted for in the books after the approval for disposal is granted.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>This entails the compilation of a reliable and complete database, identifying all assets falling under MCH's remit, as stipulated in MF Circular No 14/99. It is pertinent that this exercise is carried out without further delay.</p> <p>Accepted</p>	<p>A database of all inventory items has been created and is being kept updated, with each asset assigned an identification number and tagged.</p> <p>MCH is in the process of structuring an inventory of fixed assets in line with MF Circular 14/99.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Statutory returns are to be duly compiled and submitted to pertinent Authorities.</p> <p>Accepted</p>	<p>Statutory returns are being sent regularly to the pertinent authorities.</p>	<p>Ongoing</p>

CONTROL ISSUES

<p>Weak internal controls in procurement</p> <p>Procurement is to be planned well ahead, allowing enough time to follow the appropriate procurement procedures. If Management at MCH is concerned on how central procurement is proceeding, it is encouraged to discuss the matter with the right level of authority.</p> <p>Accepted</p>	<p>A new procurement section has been set up. This section includes a manager and supporting clerical staff.</p>	<p>Implemented</p>
	<p>A procurement committee at top management level, including the CEO, the financial controller and procurement staff, has been set up.</p>	<p>Implemented</p>
	<p>Regular weekly meetings are being held by the procurement committee to discuss and evaluate all procurement requirements.</p>	<p>Ongoing</p>
	<p>A contracts management database has been created and is operating, indicating the expiry date and exhaustion percentage for each contract.</p>	<p>Implemented</p>
	<p>Updates to SOPs related to procurement are being drafted.</p>	<p>December 2022</p>
	<p>Meetings are held regularly between MHS (attended by CEO and FC) and CEO and COO of CPSU to discuss any issues or difficulties with the drafting of tenders, tenders at vetting stage at DoC, and planning in advance of the renewal of contracts which are due to expire.</p>	<p>Ongoing</p>
<p>To serve its purpose, goods receipt notes are to be raised by the supplier and certified correct by the receiving officer, after checking that the items delivered are in line with those ordered, before the respective invoice is processed for payment.</p> <p>Accepted</p>	<p>A procedure has been adopted whereby the store officer checks the items delivered against the respective purchase order and, if correct, endorses the delivery note/invoice. GRNs are raised in the stock control system to update the electronic bincard, indicating movements in and out.</p>	<p>Ongoing</p>
	<p>Management is ensuring compliance with this procedure prior to effecting payment.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of good governance</p> <p>The Public Procurement Regulations are to be invariably complied with.</p> <p>As far as possible, needs for goods and services are to be determined at an early stage, allowing enough time to follow appropriate procurement procedures.</p>	<p>All procurement is being channelled through the CPSU in line with procurement procedures.</p> <p>Mental Health Services (MHS) is ensuring that timely feedback is submitted to requests made by the CPSU when planning bulk purchasing contracts across the MFH.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Accepted</p>	<p>Contracts are being entered in a software programme which monitors the consumption of the contract as well as flagging well in advance when the contract is due to expire.</p> <p>MCH is moving away from the use of direct orders. The delegated authority of the CEO is used to procure through direct orders only in urgent situations or upon direction from the CPSU. This is in line with the limit authorised to the CEO and in line with the procurement policy.</p> <p>When direct orders are resorted to, the procurement section always requests calls for quotations unless the item is proprietary.</p> <p>MHS is forwarding all information on direct orders biannually to CPSU for publication in the Government Gazette.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>A performance guarantee, which serves to mitigate the risks in case the selected bidder does not deliver up to the expected standards, is to be requested in instances where the contract value exceeds €10,000 (VAT excl).</p> <p>Accepted</p>	<p>MCH has requested copies from CPSU of all performance guarantees for each contract. Copies of these performance guarantees are being retained at MCH and are being followed up.</p>	<p>Implemented</p>
<p>The evaluation committee is expected to be formed in line with the guidelines issued by the Department of Contracts and the relevant documentation duly filed.</p> <p>Accepted</p>	<p>Prior to the issue of a tender, it is a mandatory requirement by CPSU that evaluation committees are composed of five persons: a chairperson, three members, and a secretary.</p>	<p>Implemented</p>
<p>No basis for the certification of invoices</p> <p>POs, as well as invoices, are to be thoroughly checked by two independent officers to minimise the possibility of any undetected errors.</p> <p>Accepted</p>	<p>All invoices are being checked regularly by officers of the accounts department following the first line check by stores officers.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings in procurement made through Mater Dei Hospital</p> <p>Besides providing the necessary proof that adequate authorisation for procurement was sought prior to the placement of an order, POs should be the source which can be used to compare amounts ordered with actual delivery. Thus, for the sake of transparency and accountability, the PO is to be raised before the actual order is placed.</p> <p>Accepted</p>	<p>A new procedure has been adopted. Items are being requested by raising a request form on the Online Requisition System (ORS). This is dealt with by the stores or procurement office, depending on the item requested. If the item is in stock or a contract is in place, a PO is raised and is sent to the FC for approval. Once approved, the PO is electronically sent to the supplier. A departure from this procedure is only allowed in cases of extreme urgency.</p>	<p>Implemented</p>
<p>In addition, though not required, if prices are disclosed on the goods received note, these are to be consistent with those on the respective PO and items acquired recorded accordingly in the system.</p> <p>Accepted</p>	<p>MDH uses a cost averaging system. The procurment and accounts section have been directed that in instances when the average unit price from MDH differs from the price quoted in the contract, the purchase order is to be adjusted accordingly.</p>	<p>Implemented</p>
<p>Delays in the award of tenders</p> <p>CPSU is to ensure that the adjudication process is carried out within a reasonable timeframe and any justified delays are duly documented.</p> <p>Accepted</p>	<p>Delays in the award of tenders are being kept to a minimum through regular meetings held between MHS and CPSU to discuss any issues or difficulties with the drafting of tenders, tenders at vetting stage at DoC, and planning in advance.</p> <p>In cases of delays which are beyond control, appropriate action is taken through CPSU to obtain the necessary approvals from the DoC for an extension of the current contract, before the lapse of the respective validity period.</p> <p>All justifications and approvals are being documented and filed to ensure adequate audit trail.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Secondment not substantiated by a contract for service</p> <p>With the aim of enhancing internal controls, it is to be ensured that secondment of employees is supported by an agreement clearly indicating each party's rights, duties and obligations.</p> <p>Accepted</p>	<p>There are no personnel on loan with MHS from other entities. Should this situation arise, a formal agreement between MHS and the entity concerned will be drawn up and signed.</p>	<p>Ongoing</p>

COMPLIANCE ISSUES

<p>Financial statements not compiled on time</p> <p>Management is expected to prepare the respective financial statements in a timely manner and formally submit a request for these to be duly audited.</p> <p>Accepted</p>	<p>During 2019, the financial statements for 2016, 2017, and 2018 were concluded. Subsequently, financial statements were concluded for the years 2019 and 2020.</p>	<p>Implemented</p>
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RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>A legal notice highlighting this requirement is also solicited. Timely management accounts are important to assist Management in reaching the financial targets.</p> <p>Partially accepted</p>	<p>Audited financial statements and monthly management accounts are being finalised in a timely manner. In the circumstances, issuing a legal notice to this effect is not a considered necessary.</p> <p>Monthly management accounts are being issued regularly by the fortnight of the following month. These are communicated to the management team as soon as they are finalised.</p>	<p>Ongoing</p>
<p><i>Non-abidance with pertinent circulars</i></p> <p>Officer in charge of Accounts is to ensure that fiscal receipts are attached to the respective payment.</p> <p>Accepted</p>	<p>MCH accounts section are regularly requesting suppliers to submit any missing fiscal receipts.</p> <p>Invoices are not processed for payment without a fiscal receipt.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>In cases where suppliers fail to adhere to VAT regulations, defaulters are to be reported to the VAT Department.</p> <p>Accepted</p>	<p>All defaulters are being reported to the VAT Department on a quarterly basis.</p>	<p>Ongoing</p>



PHARMACY OF YOUR CHOICE SCHEME

EXPENDITURE (2018)

Launched in December 2007 initially as a pilot project, the Pharmacy of Your Choice (POYC) Scheme developed into a national pharmaceutical service that meets the needs of over 150,000 patients who benefit from medicines and pharmaceutical devices that are given for free by the government. Through this system, patients are able to collect their entitlement of medicines from a preferred private community pharmacy; currently, a total of 221 pharmacies across Malta and Gozo are operating the POYC Scheme.

The main purpose of the audit was to assess the effective functioning of the POYC scheme, determine the level of controls in place with respect to payments made to pharmacies for the distribution of medicines to patients, as well as to ascertain the adequacy of stock maintenance, both at POYC stores and pharmacy level. Adherence to the applicable regulations and agreements was also verified.

Furthermore, an evaluation was carried out on the Information Technology (IT) systems supporting the operation of the scheme, whereby standard operating procedures, audit trails, data extracts from reports generated by the system, as well as the level of user-friendliness of such applications were assessed.

The audit revealed that due to human resource constraints, the administrative aspect of the POYC scheme was hampered. Furthermore, the lack of an

integrated information technology system for the operation and management of this scheme resulted in the use of multiple fragmented applications running in parallel, entailing duplication of work as well as increased risk of errors due to manual intervention.

Follow-up action

Most of the shortcomings identified by the NAO during this audit and also during the follow-up audit carried out in 2021 have been addressed by the actions taken by POYC. A human resource capacity review was carried out, on which basis POYC submitted an ad hoc HR plan to MFH.

POYC implemented a new entitlement system—CARE—a web-based system which consolidates the medical record of every patient in one interface. This system replaced several systems which were formerly used.

A new stock management system—iSTK—is also in place. This system was further enhanced to cater for additional requirements specific to POYC. The practice of cyclic counting has been introduced in POYC stores on a daily basis to resolve identified stock discrepancies. The iSTK system includes a new pharmacy dispensing module which is compliant with GDPR requirements. Moreover, the new Service Level Agreement signed in May 2022 stipulates that regular stock takes must be carried out.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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LIMITATION ON SCOPE OF AUDIT

The POYC Unit pays pharmacies enrolled within the Scheme on a per patient basis. However, amounts paid were not substantiated with a report showing the number of patients forming the basis of the respective payments. Thus, correctness of amounts disbursed could not be ascertained.

Not accepted

Since January 2018, pharmacy fees issued by POYC are always substantiated with a report. Community pharmacies participating in the POYC scheme receive a detailed report generated through POYC's IT system, showing accurate payment rates per patient, as well as the number of patients served on a weekly basis including pharmacy fees. POYC confirmed that a report with the breakdown of fees was provided to the NAO during the audit.

POYC payments were also scrutinised by an outsourced internal auditor.

KEY ISSUES

Insufficient human resource capacity

A review of the human resource capacity will enable the improvement of the internal control setup should the necessary deployment take place. This will also contribute to reduce inherent risks while providing a vital step in the growth of the POYC Unit.

Accepted

The POYC Unit conducted a human resource capacity review and submitted a revised capacity building plan to MFH Human Resources (HR) on 6 February 2019. However, calls for applications for technical and administrative staff are frequently unsuccessful and vacancies remain unfilled.

Implemented

Following a change in POYC management and owing to the COVID-19 emergency, the POYC conducted a further human resource capacity review and submitted an ad hoc HR plan to MFH HR in May 2021.

Implemented

Multiple information technology systems for the management of patients' medicinal entitlement

Management's intention to integrate the IT systems is commendable so that the current processes are streamlined. This will minimize the duplication of work whilst also facilitate the overall management of the Scheme.

Accepted

The new POYC entitlement system called CARE went live on 4 March 2019. CARE is a web-based system designed to eliminate paper-based applications for Schedule V and other related entitlements. The chances of human error from multiple inputs were eliminated as the medical record of every patient is now consolidated in one interface, also including a rule-based intelligence in line with the national formulary. CARE is replacing various former systems such as Schedule V system, Medicines Approval System (MAS) and Dangerous Drugs Control Card System (DCC).

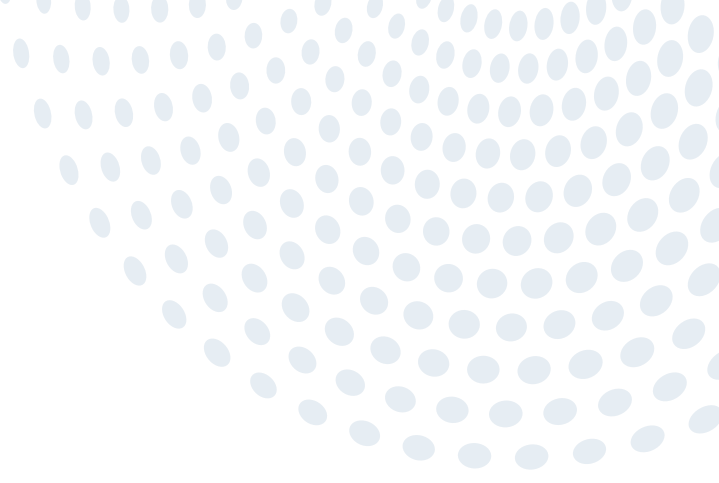
Implemented

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Pharmacy of Your Choice Level:</p> <p>A physical audit inspection, as well as a stock-take of a sample of 17 pharmaceutical items, was undertaken by the NAO Officers at the POYC stores on 30 October 2018. The observations below highlight the main weaknesses encountered during this exercise:</p> <p><i>Poor access controls:</i></p> <p>To minimise the risk of possible intrusion and theft, the POYC officers are to be assigned physical access only to designated areas, as required, to enhance accountability.</p> <p>Accepted</p>	<p>Strict access control in rooms assigned for storage of named patient items and dangerous drugs has been implemented.</p>	<p>Implemented</p>
<p>Entry by outsiders is to be strictly forbidden. The installation of closed-circuit television cameras capturing all areas of the stores is also recommended.</p> <p>Accepted</p>	<p>A second heavy duty security door was installed before accessing the security doors in place at the time of the audit, leading to stores. The new door is only operated via the POYC access control card held by authorised stores personnel and other designated officers and closes automatically.</p>	<p>Implemented</p>
<p>The installation of closed-circuit television cameras capturing all areas of the stores is also recommended.</p> <p>Accepted</p>	<p>External CCTV cameras which capture all entry/exit areas of the stores, as well as intruder and fire alarms, have been installed.</p>	<p>Implemented</p>
<p><i>Multiple stock management systems</i></p> <p>Accurate and updated stock records are essential to good inventory management. The Unit is to actively consider introducing a real-time stock management system whereby all stock is barcoded and scanned accordingly, thus reducing any manual interventions as well as human error to a bare minimum.</p> <p>Accepted</p>	<p>The new stock management system iSTK, introduced in the stores in 2018 was further enhanced to cater for additional requirements specific to POYC.</p> <p>Moreover, the bin cards system, previously used to manage stock processed by POYC each year, has been completely eliminated and replaced by iSTK, thereby improving the business processes in stores and ensuring proper management of POYC's pharmaceutical stock.</p> <p>All pharmaceuticals received from CPSU are now barcoded, as are most of the medical devices.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Stock discrepancies and write-offs</i></p> <p>Unless given due importance, stock-takes will not be effective. On the other hand, lack of proper corrective action from those entrusted to manage the Unit is unacceptable. Accordingly, in addition to the yearly stock-take, Management is encouraged to introduce cyclic counting, whereby the entire inventory is divided into groups, with each group being counted on a periodic basis, thereby making it easier to track down the source of any discrepancies without undue delay.</p> <p>Accepted</p>	<p>With the objective of resolving discrepancies encountered, cyclic counting has been introduced in POYC stores where, on a daily basis, a number of different items are selected, counted, and recorded.</p> <p>The management is ensuring that all items are regularly counted—most items are counted at least once per month. Medical devices are all counted on a bi-monthly basis.</p> <p>In addition to cyclic counting, an annual stock-take is carried out covering all items.</p> <p>If a discrepancy is encountered, a tracking and error rectification process is undertaken conjointly with IT personnel with a view to resolve any emergent discrepancies.</p> <p>An exercise was undertaken whereby staff were re-allocated to specific warehouse sections and given responsibilities for the management of related specific stocks.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Furthermore, approval from the right level of authority in line with standing regulations is to be sought in the case of write-offs.</p> <p>Accepted</p>	<p>Any write-offs are being made in line with standing regulations.</p> <p>The POYC issued a revised SOP in line with the recommendations made by NAO, based on the provisions of Treasury Circular no. 6/2004. The SOP has been circulated among staff concerned.</p> <p>The management is ensuring compliance.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>Management is also to ensure that officers in charge are aware of the statutory returns that are to be compiled and that accurate and timely feedback is regularly submitted to the Auditor General.</p> <p>Accepted</p>	<p>Officers in the finance section have been duly informed and statutory returns are to be submitted regularly.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Pharmacy level</p> <p><i>Patient's data not disseminated to pharmacies</i></p> <p>The NAO acknowledges the fact that Management is envisaging to address the above-mentioned issues with the implementation of the new dispensing IT system which is intended to come into operation in 2019. To this effect, it is recommended that a list of patients, as well as the respective pharmaceuticals entitlement, is embedded within the dispensing IT system. This will enable pharmacists to track patient movements and accordingly return back to the POYC Unit any excess medicinal products prior to their expiry.</p> <p>Accepted</p>	<p>POYC has secured access to timely notification of deceased patients to community pharmacies as well as data regarding changes in pharmacies.</p> <p>The implementation of the new pharmacy dispensing module (cDispense) will allow pharmacists to view the list of their respective patients and their related entitlements. The module will initially be launched as a pilot project.</p> <p>The final rollout of the module is scheduled for the end of next year.</p>	<p>Implemented</p> <p>March 2023</p> <p>December 2023</p>
<p><i>IT system lacks pertinent data</i></p> <p>The new IT system that is in the process of being introduced is to incorporate batch numbers, as well as expiration date for all medical supplies.</p> <p>Accepted</p>	<p>The new pharmacy dispensing module (ISTK) complying with the GDPR will provide extensive data to community pharmacies in terms of stock holdings, including batch numbers and expiry dates.</p>	<p>December 2023</p>
<p><i>Physical stock-take not carried out in a timely manner</i></p> <p>Action is to be taken against those pharmacies that fail to comply with stipulated requirements.</p> <p>Accepted</p>	<p>POYC took the necessary measures with regard to stock-taking, in compliance with the Service Level Agreement (SLA), against those pharmacies that failed to comply with the stipulated requirements.</p> <p>The new SLA, signed in May 2022, stipulates that stock-takes must be carried out on a bi-annual basis.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Pharmacy stock-take discrepancies</i></p> <p>Stock comes at a cost; thus, pharmacies are to be made aware of the importance of maintaining an adequate and up-to-date trail, as well as proper recording of receipts and dispensing transactions to support an accurate stock balance.</p> <p>Accepted</p>	<p>Following the charges on discrepancies issued by POYC for 2018 and Q1 2019, pharmacists are more acutely aware of the costs and implications for inefficient stock management.</p> <p>The new SLA stipulates new rules ensuring regular stock-take, as well as charges on discrepancies above the set threshold. As a result, community pharmacies now exercise a higher degree of accuracy in the management of the government's pharmaceutical stock.</p> <p>Regular stock-taking resumed after the signing of the new SLA.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Accordingly, all stock adjustments are to be reflected in the system prior to carrying out stock-takes.</p> <p>Accepted</p>	<p>Stock showing on the present system includes stock adjustments and is considered potentially viable stock.</p> <p>Charges on discrepancies above the set threshold on pharmacies found liable are being issued on a bi-annual basis.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Furthermore, discrepancies are to be analysed on an item-by-item basis, with defaulting pharmacies being held liable for any reported variances.</p> <p>Accepted</p>	<p>Prior to invoicing community pharmacies being held liable for any discrepancies, POYC sends a statement providing a 30-day review period, allowing pharmacies to dispute or otherwise. Further investigations are pursued in the event a claim is submitted.</p>	<p>Ongoing</p>
<p>In addition to the above, the POYC Unit is to ensure that items declared as 'short' are substantiated by an adequate statement giving a brief explanation.</p> <p>Accepted</p>	<p>A statement on discrepancies is sent to community pharmacies on a bi-annual basis identifying the source of liability that also include short-dated items.</p>	<p>Ongoing</p>
<p><i>Executive powers not implemented to the full</i></p> <p>A stricter stance is to be taken against those pharmacies failing to adhere to the respective guidelines and, if need be, applicable penalties are to be imposed.</p> <p>Accepted</p>	<p>The POYC issues invoices for damaged and expired stock for which the community pharmacies were found liable.</p> <p>An SOP was issued and circulated with staff concerned to ensure equitable treatment with all pharmacies.</p> <p>The management is ensuring compliance</p> <p>Strict adherence to the procedures is mandated by clause 6.4 of the new SLA.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>Other matters</p> <p><i>Unreasonable timeframe on which pharmacy fees are calculated</i></p> <p>Management is to consider initiating discussions to shorten the timeframe on which pharmacy fees are calculated.</p> <p>Accepted</p>	<p>Discussions were held with the Standing Advisory Committee (SAC) with the objective to shorten the timeframe on which pharmacy fees are calculated.</p> <p>By means of the new SLA, the timeframe on which pharmacy fees are to be calculated has been reduced to three months.</p>	<p>Implemented</p> <p>Implemented</p>
COMPLIANCE ISSUE		
<p>Non-submission of Fiscal Receipts</p> <p>Management is to ensure that all service providers adhere to the VAT Regulations by being furnished with a fiscal receipt upon receiving the respective payments.</p> <p>Accepted</p>	<p>POYC has compelled the community pharmacies to forward the respective fiscal receipts to ensure adherence to the VAT regulations. To date, over 80% of the fiscal receipts were collected.</p> <p>Following the signing of the new SLA in May 2022, a new procedure was adopted. POYC is issuing a payment advice to each pharmacy and pharmacies will issue a VAT invoice against which payment of fees is effected.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Defaulters are to be reported to the VAT authorities.</p> <p>Accepted</p>	<p>The new procedure provides for a VAT invoice to be issued prior to payment of fees, in accordance with the provisions of the new SLA.</p>	<p>Implemented</p>



LONG-TERM MEDICAL BEDS EXPENDITURE (2018)

Since 2015, due to the high number of long-term patients and the limited number of beds available, an annual budget is approved to provide alternative accommodation for such patients. The Central Procurement and Supplies Unit (CPSU), on behalf of Mater Dei Hospital (MDH), entered into a number of agreements to procure additional space to complement what is already available within the government's own retirement homes. These long-term care (LTC) services are provided at a pre-determined fee per resident, with lower rates charged for every absent night.

The main purpose of the audit was to verify that the necessary internal controls over the amounts paid to these residential homes for the LTC beds were in place; to ascertain that the contracted rates were comparable to what was being charged to the Department for Active Ageing and Community Care (DAACC) for similar services; and to confirm whether deductions from the patients' pensions were made in

a timely manner and that these were in line with the respective legislation.

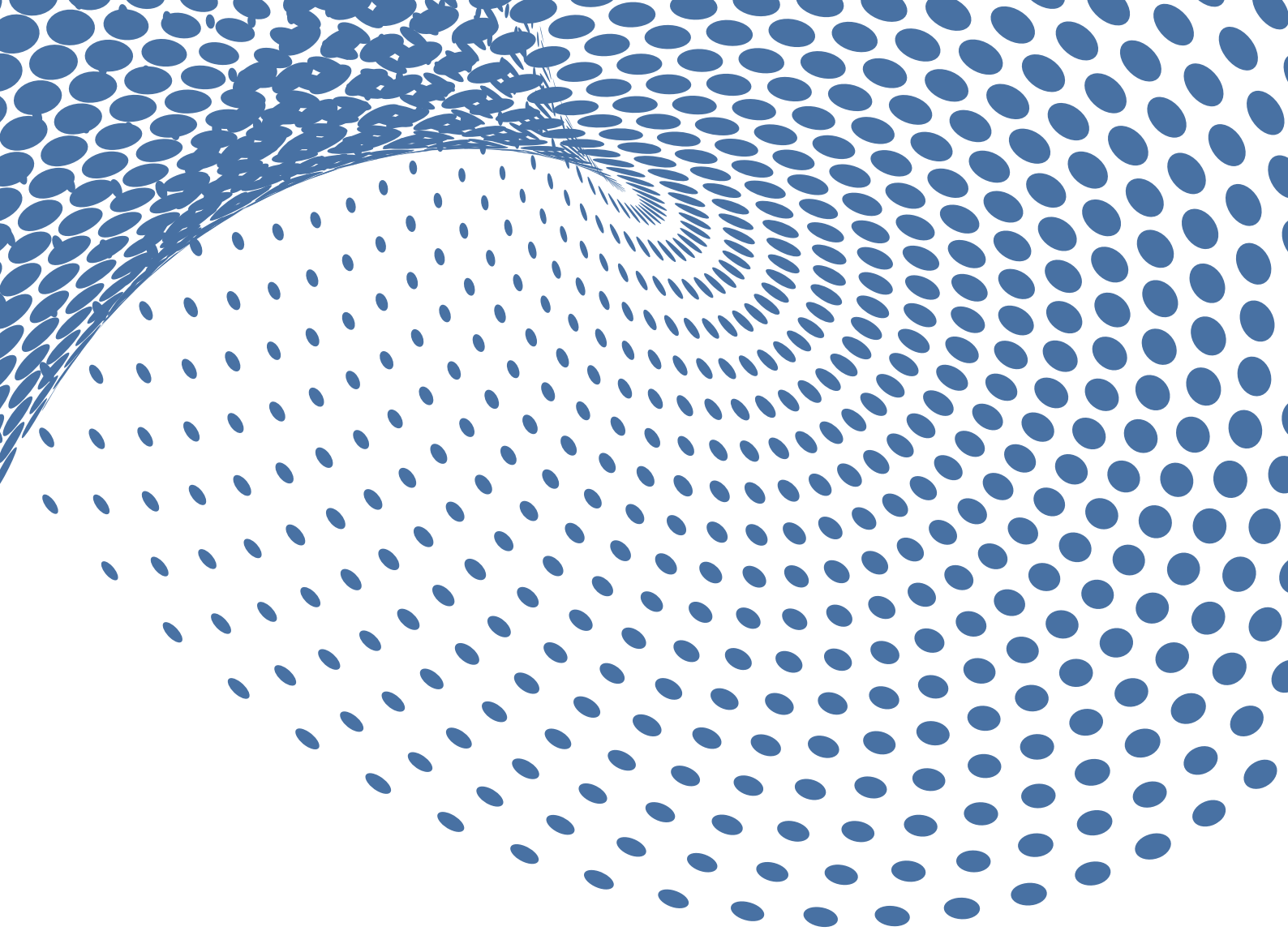
The audit revealed instances of overpayment of social benefits due to the lack of timely communication between the Department of Social Security (DSS) and Mater Dei Hospital. Thus, pension deduction rates were not regularly updated on the Social Assistance and Benefits System.

Follow-up action

To address the issue of overpayments, discussions have been held with DSS regarding process improvements by inputting data directly on the DSS system. The system is now being updated in real time by being populated through the DSS system.

Regarding procurement issues identified by the NAO, a dynamic purchasing system was spearheaded by MDH and CPSU. This system is in place and valid for three years. Contracts are being monitored by means of a sharepoint system.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUE		
<p>Lack of timely communication</p> <p>The NAO strongly recommends that discussions are carried out between the MDH and the DSS to streamline the updating process of the pension rate deductions.</p> <p>Accepted</p>	<p>Discussions have been held with DSS regarding process improvements by inputting data directly on the DSS system.</p>	<p>Implemented</p>
<p>The automatic update of the deduction rates between the respective two applications in use should also be considered since this would save considerable time and effort and eliminate most of the overpayments which are created when the rates are not updated in a timely manner.</p> <p>Accepted</p>	<p>The system is being updated in real time.</p>	<p>Implemented</p>
CONTROL ISSUES		
<p>Dependency on information provided by patients</p> <p>The MDH is encouraged not to rely solely on information obtained from the patients or relatives; where possible, evidence is to be obtained from independent sources, such as the Inland Revenue Department and the banks, to ensure its completeness and integrity.</p> <p>Accepted</p>	<p>The system is being populated through the DSS system.</p>	<p>Implemented</p>
<p>Continual use of expired contracts</p> <p>It is strongly recommended that a system is put in place to monitor the expiry of the various LTC contracts.</p> <p>Accepted</p>	<p>A sharepoint system is in place to monitor all contracts.</p>	<p>Implemented</p>
<p>Close communication is required between the MDH and the CPSU to ensure that a new contract is negotiated before the one in force expires without the need to resort to direct order approvals from the Ministry for Finance, or the Chief Executive Officer's approvals where a formal contract is not in place.</p> <p>Accepted</p>	<p>A dynamic purchasing system, spearheaded by MDH and CPSU, is in place and valid for a period of three years.</p> <p>Communication with CPSU is ongoing.</p>	<p>Implemented</p> <p>Ongoing</p>



MINISTRY FOR THE **ECONOMY,** **EUROPEAN FUNDS** **AND LANDS**

(reported by the NAO as Ministry for the Economy,
Investment and Small Businesses)

MALTA INVESTMENT MANAGEMENT COMPANY LIMITED

EXPENDITURE

The first voucher scheme, with an investment of €45 million, was launched by the Government of Malta in June 2020 to boost the economic activity impacted by the Covid-19 pandemic. Every resident in Malta who was over 16 years of age by 8 June 2020 was to receive five €20 vouchers by registered post. Four of these vouchers (red in colour) were to be utilised in hotels, accommodation, restaurants, bars and diving schools, while the remaining €20 voucher (blue in colour) could be redeemed in retail and services.

Commercial entities were obliged to retain all vouchers claimed, together with the respective VAT receipts, for onward submission to the Malta Investment Management Company Limited (MIMCOL). The latter reserved the right to claim back the value of scanned vouchers if the physical documents were not presented upon request.

Whilst acknowledging the economic benefit of this initiative, the scope of the audit was to duly assess the management of the Government Voucher Scheme and to verify the extent and adequacy of internal controls in place.

Concerns over the operation of the Government Voucher Scheme, entrusted to MIMCOL were noted. The audit also revealed a number of unreconciled redeemed vouchers.

Follow-up action

MIMCOL is in the process of developing a risk management function, including the compilation of a risk register to identify risks and mitigation measures for all its operations, which will be adapted for each new project. For future schemes, MIMCOL is committed to identify all stakeholders involved and carry out preliminary meetings to ensure an adequate risk identification process.

The management is in the process of drafting a set of SOPs covering all its internal processes, adopting a timeline approach to ensure a seamless and consistent process.

Following NAO's audit, MIMCOL improved its processes for the second Covid-19 Vouchers Scheme by systematically filing and retaining information and supporting documentation to enable reconciliations, and timely and accurate submission of information required by overseeing authorities. Moreover, MIMCOL granted the Office of the NAO full access to the electronic system, thus ensuring complete audit trail and transparency.

During the second scheme, late payment requests by merchants were not entertained. Moreover, an enhancement was carried out on the system's software and reconciliations were held regularly and thoroughly; thus MIMCOL could ensure that no overpayments occurred.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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LIMITATION ON SCOPE OF AUDIT

The following instances were encountered which limited the scope of the audit:

Although the extended deadline for redeeming the vouchers was 31 October 2020, payments relating to the scheme were still being effected to merchants at least up to March 2021. Therefore, the data provided to NAO was continuously changing. This hindered audit testing, particularly to carry out reconciliations relating to vouchers reimbursed.

According to the Malta Investment Management Company Ltd (MIMCOL), verification was carried out to ensure that vouchers were issued only to eligible beneficiaries. Due to the delays encountered during the audit, especially in obtaining information, NAO had to rely on this claim and did not carry out its own checks in this respect.

NAO planned to obtain fiscal receipts to confirm the merchants' compliance with the scheme guidelines, issued by MIMCOL, as well as to verify whether all vouchers were redeemed by the stipulated deadline. However, given the delay in replying to audit queries and forwarding the necessary documentation, this test could not be performed.

In order to achieve the audit scope, a sample of physical vouchers was to be selected and traced to the software which held data on both generated and redeemed vouchers. Moreover, NAO intended to query on the procedure adopted by MIMCOL vis-à-vis the remaining uncollected vouchers. Once again, these verifications could not be carried out, mainly due to the setbacks encountered when requesting information.

Accepted

In the first Covid-19 Voucher Scheme there were a number of payouts that had to be re-executed because of failed transactions which were not within MIMCOL's control but attributed to third parties.

In such context, MIMCOL had to re-perform the reconciliations which led to the delay in the submission of data to the NAO.

To maximise MIMCOL's success, the entity will develop a risk management function, including the compilation of a documented risk register, identifying any risks and mitigation measures for all its operations. The risk register will be updated with each new project.

March 2023

KEY ISSUES

Incomplete data on the number of vouchers

Particularly for an important and financially material scheme such as this, information and supporting documentation are expected to be accurately provided and within a reasonable timeframe. This would not only enable NAO in achieving the scope of its audit, but also the entity in rectifying certain shortcomings as early as possible.

Accepted

In the second Covid-19 Vouchers Scheme, information and supporting documentation were retained to enable the necessary reconciliations and timely and accurate submission of information required by the NAO.

Implemented

MIMCOL carried out reconciliations between the voucher system, the payment gateway and the bank. Reconciliations had sufficient details to provide the expected assurances.

Implemented

For the second Covid-19 Vouchers Scheme, MIMCOL granted NAO full access to the system, which ensured an audit trail and transparency.

Implemented

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Payments to businesses beyond scheme official closing date</p> <p>On the basis of lessons learnt during this first voucher scheme, in the event of future schemes, MIMCOL is to ensure that payments to merchants are effected on a timely basis in order to close off the scheme and perform the necessary reconciliations without undue delays.</p> <p>Accepted</p>	<p>MIMCOL is in the process of drafting SOPs for all of its internal processes. These SOPs will be circulated to all officers concerned. Management will ensure compliance.</p> <p>MIMCOL is committed that for future similar projects:</p> <ol style="list-style-type: none"> SOPs detailing the processes and procedures will be in place, adopting a timeline approach, to ensure a seamless and consistent process; and all supporting documentation will be systematically filed in both hard and soft formats to ensure an adequate audit trail. <p>In the first scheme MIMCOL encountered a number of cases where the merchants submitted vouchers for payments after the official closing date. These requests were accepted as long as the vouchers were supported with a fiscal receipt bearing a date prior to the closure date of the scheme.</p> <p>In the second scheme, MIMCOL liaised with the NAO to adopt a proposed preventive measure that limited post closure payment processing requests.</p>	<p>March 2023</p> <p>Ongoing</p> <p>Implemented</p>
<p>It is also expected to take the necessary corrective action when there are delays due to lack of compliance by merchants.</p> <p>Accepted</p>	<p>During the second scheme, late payment processing requests by merchants were not entertained and were not refunded for their unclaimed vouchers.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Concerns over the operation of the voucher scheme</p> <p>MIMCOL is to ascertain that, following a proper review, risks associated with the weaknesses mentioned above are mitigated in view of the second voucher scheme or any similar schemes launched by Government in the future.</p> <p>Accepted</p>	<p>Fiscal compliance for both Covid-19 Voucher Schemes was invariably ensured, taking into account that the system did not allow the conclusion of a scanning transaction unless it was linked to a fiscal receipt.</p> <p>MIMCOL confirms that interaction between third-party service providers was strictly in line with its instructions.</p> <p>Failed pay-outs related to the first scheme that required re-execution have been documented.</p> <p>There was no recurrence of manual inputting during the second voucher scheme.</p> <p>Manual inputting was resorted to in the first scheme to assist merchants who encountered voucher scanning problems. The necessary controls were in place.</p> <p>MIMCOL will develop a risk management function, including the compilation of a documented risk register, identifying any risks and mitigation measures for all its operations. The risk register will be updated with each new project.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>March 2023</p>
<p>Unreconciled number of redeemed vouchers</p> <p>MIMCOL is to look into this discrepancy and ensure that all vouchers pertaining to the scheme under review are accounted for.</p> <p>Accepted</p>	<p>In the first scheme, there were a number of vouchers with a double payment transaction. This was due to an overload on the system's software.</p> <p>MIMCOL drew up a report identifying overpayments.</p> <p>Meetings have been held with merchants to explain the overpayments and supporting documentation was provided to each merchant.</p> <p>Overpayments are being recouped.</p> <p>MIMCOL ensured that in the second scheme, reconciliations were carried out regularly and thoroughly and no overpayments occurred due to an enhancement carried out on the system.</p>	<p>Implemented</p> <p>Implemented</p> <p>October 2022</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>MIMCOL is expected to be in a position to account for all vouchers issued in connection with similar schemes, through proper reconciliations on a periodical basis.</p> <p>Accepted</p>	<p>Management ensured that during the second scheme, reconciliations were carried out in an exhaustive manner and no reoccurrence of such material discrepancies was identified.</p> <p>Reconciliations were documented, reviewed, and endorsed.</p> <p>The controls for the second scheme were enhanced. This ensured an effective mechanism is in place to identify any discrepancies in a timely manner so that immediate corrective action can be taken.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p><i>Lack of official documentation supporting eligible beneficiaries</i></p> <p>MIMCOL is to ensure that all vouchers generated in respect of such schemes are supported by an official list of eligible beneficiaries.</p> <p>Accepted</p>	<p>During the first scheme, beneficiaries were added throughout. Nonetheless, MIMCOL carried out reconciliations between the voucher system, the payment gateway and the bank.</p> <p>For the second round of vouchers, MIMCOL obtained the full list of eligible beneficiaries from Identity Malta. The list was maintained updated, and any change was monitored and duly approved.</p> <p>For future schemes, MIMCOL is committed to identify all stakeholders involved and carry out preliminary meetings to ensure an adequate risk identification process.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>It is also to keep track of all correspondence and instructions given in this regard.</p> <p>Related information is to be duly retained for verification purposes.</p> <p>Accepted</p>	<p>Filing procedures have been enhanced and communicated to all officers concerned, where all correspondence and instructions are being maintained to ensure a complete audit trail.</p> <p>Filing is being kept both in manual/ physical format and stored electronically on servers.</p> <p>By applying the four-eyes principle, the MIMCOL's Finance Department is ensuring that such documentation is in place as part of MIMCOL's reconciliation/invoicing/payment procedures.</p>	<p>Ongoing</p> <p>Ongoing</p>



MALTA DIGITAL INNOVATION AUTHORITY

EXPENDITURE

(reported by NAO under the Office of the Prime Minister)

The Malta Digital Innovation Authority (MDIA) was established in 2018 by the Act Cap 591 bearing the same name. This regulatory body is responsible for promoting Malta as the centre for excellence for technological innovation, while setting and enforcing standards that ensure compliance with any other international obligations.

The main scope of the audit was to ascertain that expenditure for the year 2020 was in line with the financial regulations, circulars and policies, as applicable, ensuring efficient use of public funds, and that the necessary internal controls were in place.

The audit revealed several shortcomings, including insufficient control over document management, in particular relating to the leasing of office premises and car spaces and personal emoluments. Shortcomings concerning procurement, transport, and hospitality costs were also noted.

Follow-up action

The MDIA has drawn up a SOP to enhance compliance with the Public Procurement Regulations (PPR). The management is ensuring compliance by carrying out regular internal verifications and random spot checks by an external verifier. Training to staff in public procurement is ongoing in order to strengthen procurement methods.

MDIA has also reviewed its procurement planning. Corporate procurement planning is being planned three years in advance, while business specific procurement is being done one year in advance, in view of the dynamic nature of MDIA's business.

MDIA has also reinforced its control over document management by procuring a Centralised Document Management System for the retention of all documentation, making information easily retrievable, whilst ensuring traceability.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p><i>Leasing of office premises and car spaces in Mriehel</i></p> <p>Leasing of premises</p> <p>Copies of all bids are to be requested and maintained by MDIA for future reference.</p> <p>Accepted</p>	<p>The Malta Digital Innovation Authority (MDIA) has drawn up a Standard Operating Procedure (SOP) to ensure compliance with the Public Procurement Regulations (PPR). The SOP has been approved, signed, and communicated to all staff concerned.</p> <p>Management is ensuring compliance by carrying out internal verifications regularly.</p> <p>Management is ensuring that procurement processes are being randomly checked by an external verifier.</p> <p>MDIA procured a Centralised Document Management System (CDMS) for the retention of all documentation, including that relating to procurement.</p> <p>Courses in public procurement organised by the Institute for Public Services (IPS) are regularly provided to the staff concerned.</p> <p>Following the NAO audit, the Authority liaised with the audit firm that issued the expression of interest (EOI) in question to locate the original submission files of all properties. Following several attempts, the Authority now has all the submissions pertaining to the EOI in its possession.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>Furthermore, proper planning is to be carried out before any commitment is entered into, in order not to miss out on potential better terms and conditions, thus safeguarding taxpayers' money.</p> <p>Accepted</p>	<p>Adequate procurement planning is being carried out in accordance with PPR. Where corporate procurement is involved, this is being planned for 3 years in advance. However, due to MDIA's dynamic sector, business specific procurement planning is being done annually in advance.</p> <p>The process for procurement planning has been included in the pertinent SOP.</p> <p>Management is ensuring that as far as possible, procurement is effected following a request for quotes or a call for tenders and in line with the PPR.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p><i>Services of a Project Manager</i></p> <p>In order to ensure a more transparent process, in similar future instances, procurement is to be affected following request for quotes or call for tenders, as applicable; thus, enabling open competition and ensuring a fair procurement process. This will also ascertain that the management fee is fair and reasonable.</p> <p>Accepted</p>	<p>The management is ensuring that as far as possible procurement is affected following request for quotes or call for tenders and in line with the PPR.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Furthermore, MDIA is to bear in mind that when commitments entered into carry an additional cost, these should be limited to tasks specified in the respective agreement.</p> <p>Accepted</p>	<p>The Authority has established an internal procedure whereby the Procurement Unit ensures that all works are carried out according to contract terms. If new tasks which are not specific to the scope of the agreement are required, a fresh call for quotations is issued and a new agreement will be entered into.</p>	<p>Implemented</p>
<p><i>Bypassing standing procurement regulations</i></p> <p>MDIA is not to sub-divide contracts, the purpose of which is to bypass PPR.</p> <p>Accepted</p>	<p>Management has consulted with the Department of Contracts (DoC) and has obtained approval to adopt a negotiated procedure valid for three years for the procurement of services specific to MDIA's field of operation.</p>	<p>Implemented</p>
<p>Considering the amounts involved and that the service is recurring, quotations are to be obtained or tender issued; thus, promoting competition, transparency, and guaranteeing the best rates and market conditions.</p> <p>Accepted</p>	<p>MDIA is complying with the PPR by issuing a call for quotations for services which can be provided by several service providers and adopting tender mechanisms in accordance with the PPR.</p>	<p>Ongoing</p>
<p>Accepted</p>	<p>To ensure that agreements do not to have recurring extensions, and that an agreement can only be renewed at the Authority's discretion and exigency, a clause to this effect has been included in all tender documents and the contract template.</p>	<p>Implemented</p>
<p>Direct orders are only to be used in exceptional circumstances and as a last resort.</p> <p>Accepted</p>	<p>MDIA is ensuring that direct orders are resorted to only in exceptional circumstances and according to the established procurement procedure.</p>	<p>Ongoing</p>
<p>Formal approval is to be obtained beforehand in such cases and held for future reference.</p> <p>Accepted</p>	<p>Formal written approvals for direct orders are being obtained according to the PPR.</p>	<p>Ongoing</p>
<p>Accepted</p>	<p>Approvals are being filed in the CDMS and retained for future reference and for an adequate audit trail.</p>	<p>Ongoing</p>
<p>The Authority is also encouraged to carry out market research and document it, in order to establish a way forward for procurement of consultancy services, taking into consideration the possibility of an in-house officer to carry out the related tasks, if it is deemed more feasible and economical.</p> <p>Accepted</p>	<p>As far as possible, MDIA carries out preliminary market research as established by the PPR, before carrying out a procurement process.</p> <p>MDIA is willing to engage in-house expertise. Given the specialised expertise required, MDIA is in discussions with the DoC to identify the best mechanism to be used in such instances.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The introduction of the hourly rate instead of the fixed monthly fee is also to be considered.</p> <p>Accepted</p>	<p>Whenever feasible, service providers are being paid an hourly contracted rate through amendments to engagement contracts. The decision whether to opt for an hourly rate or a retainer fee is based on a cost benefit analysis.</p> <p>This clause has been included in the contract template.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>In the interim, a detailed breakdown of the service is to be invariably requested prior to payment, for control purposes.</p> <p>Accepted</p>	<p>Prior to effecting payment, MDIA is requesting service providers to submit a detailed breakdown of service for which payment is being claimed.</p> <p>This practice is being enforced through changes effected in all contracts for service.</p> <p>This procedure has been included in the Finance SOP, which has been approved, signed, and communicated to all staff concerned.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>Information not maintained centrally</p> <p>A centralised document management system should be in place, so that pertinent information is easily retrievable, to ensure business continuity, as well as for audit purposes.</p> <p>Accepted</p>	<p>The CDMS in place makes information easily retrievable, whilst ensuring traceability and audit trail.</p>	<p>Implemented</p>
<p>Shortcomings related to personal emoluments</p> <p>MDIA is to ensure that salaries are in line with the approved structure.</p> <p>Accepted</p>	<p>The Authority issued an Employee Handbook, setting out the procedure for progressions and increments and the required approvals. The handbook was communicated to all employees.</p> <p>Necessary controls have been established in the SOPs so that the payment file (payroll) is certified correct and approved prior to effecting payment.</p>	<p>Implemented</p> <p>Implemented</p>
<p>In case of divergencies, a valid reason accompanied by the necessary approval is to be obtained.</p> <p>Accepted</p>	<p>The Authority ensures that, in case of divergencies, approval from the IRU is invariably obtained.</p>	<p>Ongoing</p>
<p>Accuracy in the computation of salaries is also of utmost importance. An error in the basic pay can trigger other errors and which ultimately may run in thousands of euro, especially if such errors go by unnoticed for a long period of time.</p> <p>Accepted</p>	<p>To minimise the risk of errors, MDIA has incorporated internal controls in the Payroll SOP, including segregation of duties related to payroll. The SOP was approved and communicated to all staff concerned.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Although the Authority is not obliged to introduce an electronic attendance verification system, considering the nature and the digital environment the Authority operates in, it is considered atypical that attendance sheets are still being kept manually. Therefore, MDIA is encouraged to introduce a device for better time record keeping and transparency.</p> <p>Accepted</p>	<p>To enhance good practice and accountability in time record-keeping, MDIA procured an electronic time and attendance module which was integrated in the already existing electronic payroll/HR system.</p>	<p>Implemented</p>
<p>Furthermore, transfer of unutilised leave from one year to another is to be approved by the right level of authority as outlined in the Public Service Management Code (PSMC).</p> <p>Accepted</p>	<p>The Authority has implemented the procedure set out in the PSMC regarding the transfer of unutilised vacation leave from one year to the next.</p> <p>An Employee Handbook was presented to all employees setting out, amongst other provisions, the procedure to carry forward vacation leave.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Weaknesses related to transport</p> <p>The pertinent guidelines and circulars relating to the use of official vehicles are to be adhered to.</p> <p>Accepted</p>	<p>MDIA is ensuring that the pertinent guidelines and circulars relating to the use of official vehicles are invariably adhered to.</p>	<p>Ongoing</p>
<p>Refund is to be requested for the fuel consumed in excess of the entitled limit, evidence of which is to be provided to NAO.</p> <p>Accepted</p>	<p>A refund has been requested and settled. Evidence has been provided to the NAO.</p>	<p>Implemented</p>
<p>Transparency and fair treatment are two basic principles related to public procurement. Hence, the quotations as per PPR are to be obtained for leased cars.</p> <p>Accepted</p>	<p>The procurement process for the lease of vehicles has been implemented in line with the PPR, by obtaining quotations according to the established thresholds.</p> <p>This practice has been included in the Procurement SOP.</p>	<p>Implemented</p> <p>Implemented</p>
<p>All Government-owned vehicles, as well as those leased, are to be registered in the Fleet Management System, thus benefitting from the controls embedded therein.</p> <p>Not accepted</p>	<p>According to the policy in place, public sector entities/authorities are not obliged to have their vehicles registered on the Fleet Management System (FMS). MDIA is ensuring that the pertinent controls are in place.</p>	
<p>Invoices not certified as correct</p> <p>Invoices are to be checked for accuracy and certified as correct accordingly.</p> <p>Accepted</p>	<p>The finance SOP delineates a thorough procedure for authorising a payment. An invoice must be examined, validated and authorised by multiple workers at difference levels of authority in order to be processed. Every invoice must be verified and certified to ensure that the work / service / product was carried out/ delivered to the Authority's satisfaction and that the necessary approvals were obtained before proceeding with the payment.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
COMPLIANCE ISSUES		
<p>Hospitality incurred from public funds</p> <p>Instructions, which also apply to public sector entities, are to be observed, ensuring that public funds entrusted to the Authority are used efficiently and no undue expenses are incurred, irrespective of the amounts.</p> <p>Accepted</p>	<p>MDIA is committed to adhering to the annual circular issued by OPM and ensures that no staff parties are held from public funds.</p>	<p>Ongoing</p>
<p>Furthermore, approvals for hospitality are to be invariably sought and respective quotations obtained in line with pertinent regulations.</p> <p>Accepted</p>	<p>Management is ensuring that quotes are requested for all supplies / works / services in accordance with the thresholds established by the PPR. The necessary approvals are being obtained in line with the pertinent regulations.</p>	<p>Ongoing</p>
<p>Requirements of VAT not adhered to</p> <p>VAT receipts are to be invariably requested for every payment. When in doubt, guidance is to be sought from the VAT Department accordingly.</p> <p>Accepted</p>	<p>The established SOP sets out that a fiscal receipt is requested from suppliers who have been paid for services provided. The fiscal receipt must be attached to the relevant settled invoice and payment.</p>	<p>Ongoing</p>
<p>Furthermore, in line with pertinent circulars, which apply also to public sector organisations, a list of fiscal defaulters, or a nil return as applicable, is to be submitted to the VAT Department on a quarterly basis.</p> <p>Accepted</p>	<p>In case of defaults, the Authority reports defaulters on a quarterly basis as set out in the Finance SOP. Nil returns are also being submitted.</p>	<p>Ongoing</p>
<p>When possible, purchases from defaulting suppliers are to be discontinued until the matter is rectified.</p> <p>Accepted</p>	<p>Every effort is made by MDIA to obtain fiscal receipts from defaulting suppliers. Moreover, discontinuing procurement from these suppliers is also considered whenever possible.</p>	<p>Ongoing</p>
<p>Frequency of board meetings not held in line with legislation</p> <p>Board meetings are to be held at least monthly in accordance with legislation.</p> <p>Accepted</p>	<p>Board meetings are being held monthly in accordance with legislation, as attested by the minutes of the Board.</p>	<p>Ongoing</p>



MALTA BUSINESS REGISTRY

REVENUE AND EXPENDITURE

(reported by NAO under the Office of the Prime Minister)

The Malta Business Registry (MBR) is responsible for the registration of new commercial partnerships and other ancillary services, including the respective fees. The Registry also conducts investigations of companies and maintains the register of companies and partnerships.

MBR was established in 2018 by means of the Malta Business Registry (Establishment as an Agency) Order (SL 595.27). It was previously known as the Registrar of Companies when it formed part of the Malta Financial Services Authority. As of 1 January 2019, MBR officially moved out of the Authority's premises in Mriehel which, when considering its extensive space requirements, were deemed inadequate, and was transferred to a modern and spacious office space in Żejtun.

The scope of the audit was to understand the processes and controls in relation to the collection of revenue from registration, penalties, and fines in line with relevant legislation. The audit also aimed to review certain expenditure line items deemed material by nature or value.

The audit revealed strong controls pertaining to revenue and the collection of debts. However, good governance and value for money concerns were raised in the procurement procedures of certain services.

Follow-up action

The MBR took immediate action to address the shortcomings highlighted by the NAO. As an initial step, the Internal Controls Units was set up in 2021 to carry out internal audits with the objective to boost MBR's internal procedures and processes.

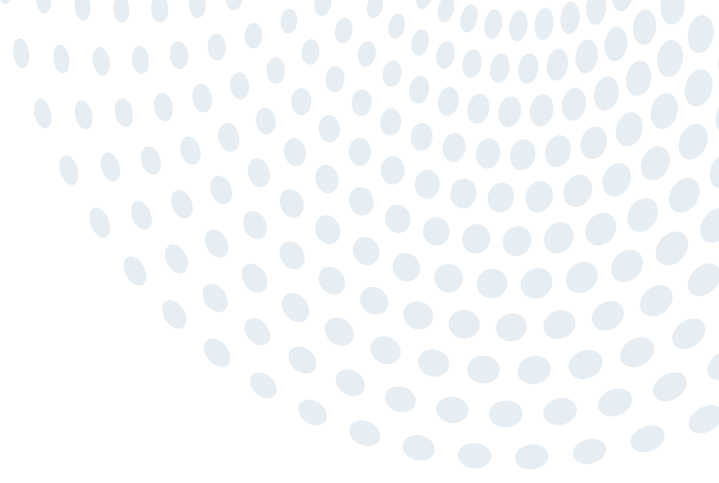
An audit committee was set up to provide oversight of the financial reporting process, the audit process, MBR's internal controls, and compliance with laws and regulations. Furthermore, an advisory board was set up to review and advise the Registrar of Companies on commitments of substantial value.

With regard the procurement procedures, MBR has set up a procurement unit and drawn up a Procurement Service Policy. New software was procured to enhance transparency and accountability in the procurement mechanism, where data relating to purchase requisitions and purchase orders is being stored and maintained.

To ensure adherence with the provisions of the Public Procurement Regulations (PPR), MBR adopted the practice to have a member of the legal team invariably present during the adjudication of tenders.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Excessive rental payment over lease term</p> <p>MBR is to ensure every effort is made to obtain adequate value for money when entering into agreements that include commitments of substantial value.</p> <p>Accepted</p>	<p>The Malta Business Registry (MBR) procured new software to enhance transparency and accountability in all procurement related procedures.</p> <p>In 2021, the Internal Controls Unit was created to review internal procedures and processes. The unit currently fulfils functions as an internal audit unit.</p> <p>MBR appointed an Ethics Officer to whom staff can refer any discrepancies in a process. The Ethics Officer can, in turn, refer these discrepancies to the Internal Audit Unit to investigate.</p> <p>A member of the legal team is always present during the evaluation and adjudication of tenders.</p> <p>An advisory board has been set up to review and advise the Registrar of Companies on commitments of substantial value.</p> <p>An audit committee has been set up to provide oversight of the financial reporting process, the audit process, the MBR's system of internal controls, and compliance with laws and regulations.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>Lack of value for money in relation to canteen facilities</p> <p>MBR is to apply the concepts of value for money when managing taxpayers' money.</p> <p>Accepted</p>	<p>The MBR explored other options for running the canteen after the current contract expires in August 2023.</p> <p>The Ministry for Economy, European Funds and Lands (MEFL) is consulting with the Institute for Tourism Studies (ITS) for the provision of this service.</p> <p>The MBR has set up a procurement unit run in adherence to the MBR Procurement Service Policy, by a Senior Analyst.</p> <p>The MBR Procurement Service policy was disseminated to all staff within the Finance and Administration Unit.</p> <p>The Internal Audit Unit has reviewed the policy to ensure alignment with Sectorial Procurement Directorate (SPD) policies, pertinent legislation, and NAO recommendations.</p> <p>As part of the internal audit advisory task, the procedure has been dissected into functional steps to be followed by staff concerned, including methods for segregation of duties and approvals at different stages of the process and levels of authority.</p> <p>The management regularly provides new trainees and staff with procurement training at the Institute for the Public Services.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Payments for cleaning and security services exceeding contracted amounts</i></p> <p>Whenever modifications to the original tender requirements are needed, the necessary approvals through the correct channels are to be obtained. This would ensure that good governance is being followed.</p> <p>Accepted</p>	<p>The tender for both cleaning and security services were re-issued and awarded following the public procurement procedures to reflect good governance.</p> <p>An internal audit advisory task to address modifications and approvals to tender requirements is being carried out in line with the Internal Audit Annual Plan 2022. The current MBR policy in place is in accordance with Public Procurement Regulations and will be updated in accordance with SPD policies.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Services rendered before tender adjudication</i></p> <p>Contractors are only to be engaged once the tendering process is finalised and a valid contract is signed between the two parties.</p> <p>Accepted</p>	<p>MBR has adopted the necessary safeguards to avoid a recurrence of the shortcoming identified by the NAO and contractors are not being engaged prior to the conclusion of the tendering process and the signing of the contract by both parties.</p> <p>An internal audit advisory task to address tender processing and contracting has been carried out in line with the Internal Audit Annual Plan 2022.</p>	<p>Ongoing</p> <p>Implemented</p>
<p><i>Extension to contract by direct order not duly approved</i></p> <p>Contract extensions are only to be entered into after the necessary approvals have been obtained, including that from MFIN.</p> <p>Accepted</p>	<p>The tender for cleaning services was subsequently re-issued and awarded according to the PPR. The tender document and contract for service include provisions which allow for 2 extensions of 6 months in case of unforeseen circumstances which can stall the procurement process.</p> <p>An internal audit advisory task to address contract extensions and required external approvals was carried out in line with the Internal Audit Annual Plan 2022.</p>	<p>Implemented</p> <p>Implemented</p>



SECURITY POSTURE PROGRAMME EXPENDITURE

(reported by the NAO under the Office of the Prime Minister)

In 2019, the Malta Information Technology Agency (MITA) put forward a recommendation for the formation of a line item specifically dedicated to Information Security tools and frameworks, in line with the global trends of ever-increasing cyber-attacks, both in scale and complexity. These funds were intended to strengthen Government's security posture, enabling MITA to enhance the Information Security detection capabilities and its cyber resilience abilities of the Public Administration's Information and Communication Technology Infrastructure.

The scope of the audit was to understand and assess the processes and controls in place with regard to the capital items procured by MITA in relation to the Security Posture Programme during the year under review.

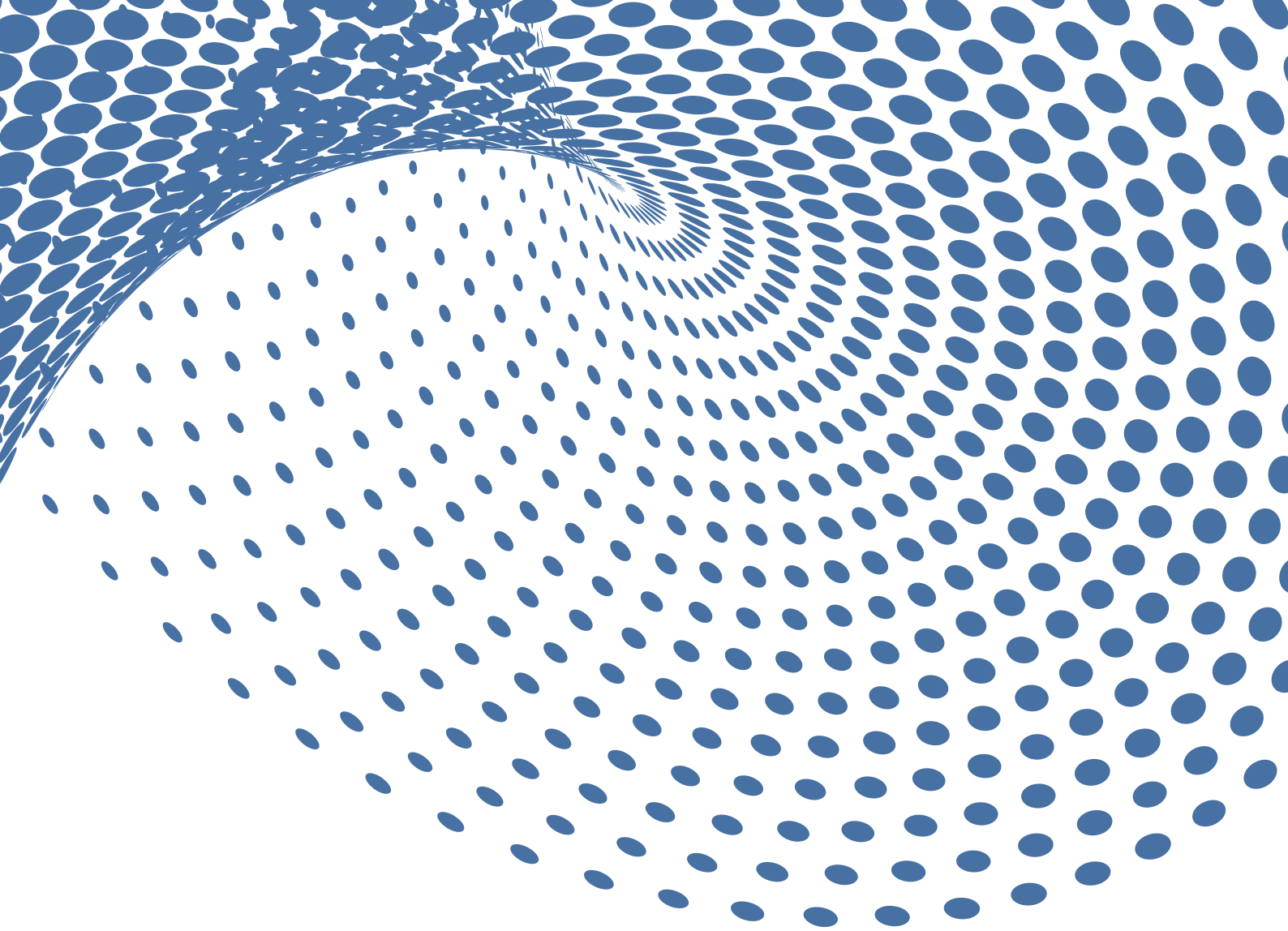
The procedures and internal controls in relation to the Security Posture Programme were found to be adequate and in sound operation at MITA.

Follow-up action

No follow-up action was required since the NAO positively noted that there was adequate control both during the procurement process, as well as the respective disbursements made by MITA with regard to the Security Posture Programme.

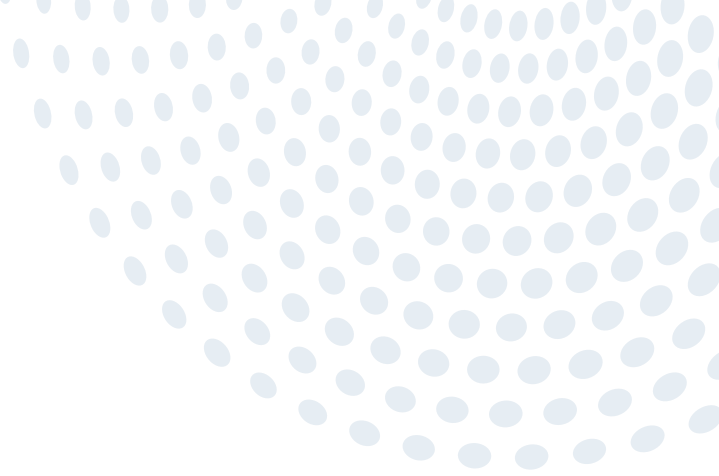
MITA was also commended for the professional manner in which it handled the related procurement. Documentation was properly maintained, and internal procedures were continuously updated in order to ensure that procurement regulations were being followed.

All payments reviewed by NAO were found to be in line with underlying contracts and were signed off for payment by the pertinent levels of authority as stipulated in MITA's own internal policies.



MINISTRY FOR **EDUCATION, SPORT, YOUTH, RESEARCH AND INNOVATION**

(Reported by the NAO as Ministry for
Education and Employment)



EDUCATION DEPARTMENT EXPENDITURE

According to the Financial Estimates 2020, the Education Department under the then Ministry for Education and Employment (MEDE) comprised eight cost centres, namely Strategy and Support, Learning and Assessment Programmes, National School Support Services, Education Resources, Colleges, Digital Literacy and Transversal Skills, Education Gozo, and Education Logistics Support and Administration.

The main scope of the audit was to determine the level of internal controls relating to the procurement of contractual and professional services, whilst ensuring efficient use of public funds. The National Audit Office (NAO) also aimed to verify that expenditure from the line items in question in the year 2020 was in accordance with the pertinent regulations, circulars, and policies, as applicable.

The audit of contractual and professional services at the Education Department revealed that the sampled

contracts for various services were being renewed year after year by means of direct order approved by the Ministry for Finance, claiming that the services in question could only be provided by the particular economic operator.

Follow-up action

To address the concerns raised by the NAO regarding contractual and professional services, the Ministry for Education, Sport, Youth, Research and Innovation (MEYR) is resorting to direct orders only in exceptional circumstances, and in line with the pertinent regulations. As far as possible, calls for applications for the filling of vacancies are being issued so that the related duties are provided by public officers. Furthermore, MEYR is planning well in advance when the retirement of a public officer is approaching, and is providing the necessary training to the replacing officer/s in good time to ensure business continuity.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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LIMITATION ON SCOPE OF AUDIT

The file related to the provision of assistant clerical support workers within the schools was requested for audit purposes at end October 2020. The total contract value was €379,536 (VAT excl.), for a period of 12 months as from 4 November 2019, extendable by another 2 years on an annual basis. However, the respective file was not submitted for audit testing. Thus, NAO could not ascertain whether the tender was awarded to the right bidder. In the beginning of April 2021, this Office was provided with a file relating to the tender that was cancelled. However, given that by that time the audit was being concluded, this hindsight was not flagged to the auditee.

Management acknowledged that the physical file could not be traced by the Department of Contracts (DoC). However, the NAO had been informed that the file in question was accessible electronically through e-PPS.

N/A

Accepted

KEY ISSUES

Recurring renewal of contracts for service

While the NAO acknowledges that the initial procurement was made a number of years back, the Education Department is to strive to ensure that all potential service providers are given equal opportunity.

The Ministry spares no effort to ensure that all potential service providers are given equal opportunity in accordance with the Public Procurement Regulations (PPR).

Ongoing

Accepted

Administrative Support Services

Furthermore, as often stated by this Office, procurement by direct order should be an exception and not the norm and, when inevitable, the Department is to ensure that the best rates and conditions are obtained.

Direct orders are only resorted to in exceptional circumstances and in line with the pertinent regulations.

Ongoing

With reference to the case highlighted by the NAO, the contract has been discontinued and an expression of interest has been issued, targeting applicants with expertise in special schools.

Implemented

Accepted

Services of Task Officer

In addition, NAO recommends the Department to issue public calls or use the services of public officers, whenever possible.

Whenever possible, the Ministry issues public calls for the filling of vacancies to utilise the services of public officers.

Ongoing

The contract for this service was not renewed, and a call for applications has been issued.

Implemented

Accepted

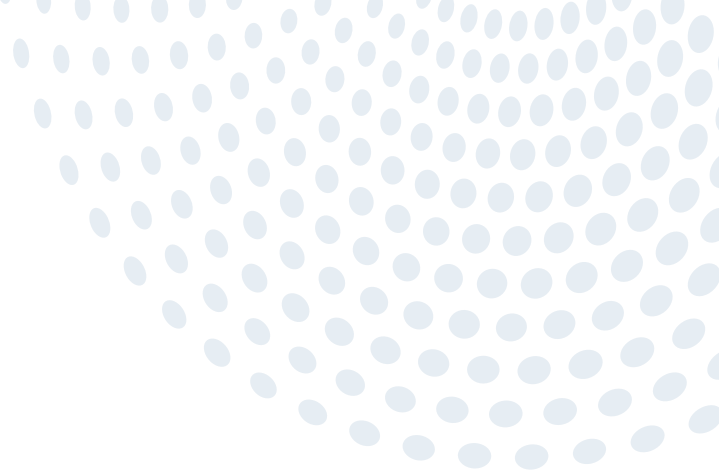
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Provision of technical services - organisation of adventure programmes</i></p> <p>Public officers are expected to be trained well in advance to eventually replace those who retire, ensuring business continuity and avoiding instances of claims that the service is indispensable, and that experience is unique.</p> <p>Accepted</p>	<p>The Department of Education has a standard operating procedure to ensure planning ahead when the retirement of a public officer is approaching, including the provision of training to the replacing officer to ensure business continuity.</p> <p>The contracts in question were awarded after it had been ensured that there were no public officers who could provide the services required.</p> <p>A call for tender for the provision of telephony services has been published.</p> <p>Discussions are being held on the feasibility to issue a call for tender for the provision of an alternative curriculum.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p><i>Provision of welding courses</i></p> <p>Any market research is also to be documented.</p> <p>Accepted</p>	<p>Whenever required, management carries out market research before publishing calls for tenders or before resorting to a direct order, to obtain the best possible rates.</p> <p>Market research carried out is retained in the procurement file. Market research is also submitted to the DoC when requesting approval for a Direct Order.</p> <p>Welding lessons are being taught at MCAST in a laboratory refurbished for the specific use by students in compulsory secondary schools.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p><i>Use of government properties by a third party for private use not formalised</i></p> <p>The private use of Government premises is to be covered by an agreement duly signed with the operators, clearly stipulating the pertinent conditions, including who is liable to pay for utility bills and who is responsible to carry out the necessary maintenance and upgrades, as well as payments thereof.</p> <p>Accepted</p>	<p>MEYR has a policy regarding the private use of Government premises by third parties outside school hours in place.</p> <p>Regarding the issue raised by the NAO, an agreement has been formalised between the Education Department and the service provider.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Original contract extended due to delay in awarding a new tender</p> <p>More attention to tender management is to be given, especially at the planning, development and award stages, for the process to be successful and carried out in a timely manner.</p> <p>Accepted</p>	<p>MEYR ensures that tender planning is done well in advance in accordance with its Procurement SOPs, and with the Public Procurement Regulations. Planning starts seven to twelve months in advance.</p> <p>MEYR had planned well ahead for the tender referred to by NAO. However, the tender was cancelled twice, resulting in a delay to award the tender. MEYR, through the Ministry for Finance and Employment, obtained the necessary approvals for extensions to the service provider to ensure continuation of service until tender is awarded. All extensions to the service provider in question were given according to PPR and respective policies.</p>	<p>Ongoing</p>
<p>Payments to Education Malta Foundation exceeding the established allocation</p> <p>Payments in addition to the established financial allocation are to be duly approved from the appropriate level of authority.</p> <p>Accepted</p>	<p>MEYR is ensuring that the established allocated amounts are not exceeded unless the prior approval of MFE and/or departmental is obtained.</p>	<p>Ongoing</p>
<p>Care services for children not properly substantiated</p> <p>Payments are to be adequately backed up with official source documentation, ensuring that enables verifications, as well as reconciliations where applicable, as it serves as the basis services were provided in accordance with exigencies. This against which invoices are verified and authorised before processed for payment.</p> <p>Accepted</p>	<p>Regarding this specific case referred to by NAO, the management pointed out that these services were provided to front liners' children. Schools were closed on Thursday 12 March 2020, and the childcare centre was up and running on Monday 16 March 2020. Even though these services were urgently required, within one working day from closure of schools, MEYR acquired all necessary approvals for all the procurement in accordance with the PPR and respective Policies.</p> <p>Furthermore, MEYR confirmed that all payments effected to the fumigation service provider were according to the request for quotation and the areas were confirmed and certified against the area plan by an architect.</p> <p>Wherever applicable, payment requests are verified with attendance sheets, i.e. certification of hours and vis-à-vis services rendered.</p> <p>The management has adequate internal controls that include segregation of duties, which are embedded in the procedures relating to the payment of invoices.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Other matters</p> <p>Irrespective of any agreement reached and for control purposes, the number of hours invoiced should be based on those recorded on the attendance sheets, which are to be endorsed and certified correct accordingly following proper verification and before processed for payment.</p> <p>Accepted</p>	<p>Wherever applicable, payment requests are verified with attendance sheets, i.e. certification of hours and vis-à-vis services rendered. Invoices are checked and certified correct by the service owner with regard to the delivery of goods and services and re-certified correct by the Finance Directorate with regard to contractual obligations and prices charged.</p> <p>Payments are not effected unless the contract obligations have been met.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>A comprehensive exercise is to be carried out to identify any overclaimed payments.</p> <p>Accepted</p>	<p>An exhaustive exercise was carried out to identify any over-overclaimed payments other than the two identified by the NAO.</p> <p>The overclaimed amounts identified by the NAO have been recouped.</p> <p>Regular random mini audits are carried out during the year by MEYR, and a report on the findings is forwarded to the Permanent Secretary or their delegate at the end of the year.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>Evidence of the recouped amounts is to be provided to NAO.</p> <p>Accepted</p>	<p>Evidence of recouped amounts was sent to NAO.</p>	<p>Implemented</p>
<p>Performance guarantees are not to be released prior to the completion of the contract but extended as necessary, so that the purpose of this requirement is not defeated but upholds the applicable obligations.</p> <p>Accepted</p>	<p>SOPs have been reviewed to include a provision stating that performance guarantees are not released prior to the completion of the contract.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Furthermore, direct orders are to be invariably published in the Government Gazette in a timely manner, in line with pertinent regulations.</p> <p>Accepted</p>	<p>Direct orders are kept to the barest minimum, and those awarded are being published in the Government Gazette every six months according to the pertinent regulations.</p> <p>The management is ensuring compliance.</p>	<p>Ongoing</p> <p>Ongoing</p>

COMPLIANCE ISSUE

<p>Payment in arrears</p> <p>As far as possible, invoices are to be settled on time, in order not to incur any potential late payment interest charges.</p> <p>Accepted</p>	<p>MEYR processes invoices in line with the General Financial Regulations (SL 601.01) and, as far as possible, they are settled in a timely manner.</p>	<p>Ongoing</p>
<p>Deferred payments are to be kept at the absolute minimum, limited to that which is unavoidable, as also spelled out in the standing regulations and the pertinent circular.</p> <p>Accepted</p>	<p>Deferred payments are kept at the absolute minimum. However, when unavoidable circumstances are encountered, invoices will not be processed until issues are cleared. When late payment is not due to the department's fault, no late charges are applicable.</p>	<p>Ongoing</p>



UNIVERSITY OF MALTA

EXPENDITURE

As mandated by Part VII of the Education Act (Cap 327), the University of Malta (UoM) was established as a separate legal personality, to serve as the main higher teaching institution. It is composed of 14 faculties, a number of interdisciplinary institutes and centres, three schools, as well as the Junior College. Besides the main campus in Msida, it also has three other campuses in Valletta, Marsaxlokk, and Xewkija, Gozo respectively.

Most of the income received by the University of Malta is derived from Government allocations and grants. However, additional amounts are generated through externally-funded projects, as well as from registration and tuition fees, amongst others. University's accounts, covering the financial year ending 30 September, are audited annually in line with the requirement of the Act.

The main scope of the audit was to verify whether the procedures adopted by the University were in compliance with the Public Procurement Regulations (PPR), applicable circulars, as well as standard operating procedures (SOP). The National Audit Office (NAO) also aimed to ascertain the effectiveness of the internal controls adopted over expenses incurred on

contractual and professional services, as well as to establish whether resources were used prudently and in a judicious manner.

During the audit, the NAO experienced a general lack of cooperation by the UoM. Various documentation and clarifications required during the course of the audit were not provided, and this limited the audit scope to a large extent, which rendered the assignment inconclusive.

Follow-up action

The UoM has reviewed its procurement SOP to reflect the PPR. A clause is being included in all contracts, signed through the Department of Contracts and the Sectoral Procurement Directorate, stating that unless an agreement is signed by both parties, payments will not be processed. UoM is ensuring that all payments are covered by fiscal documentation and whenever suppliers falter, they are being reported to the pertinent authorities.

The management is ensuring that statutory submissions are made in a timely manner, whenever possible.

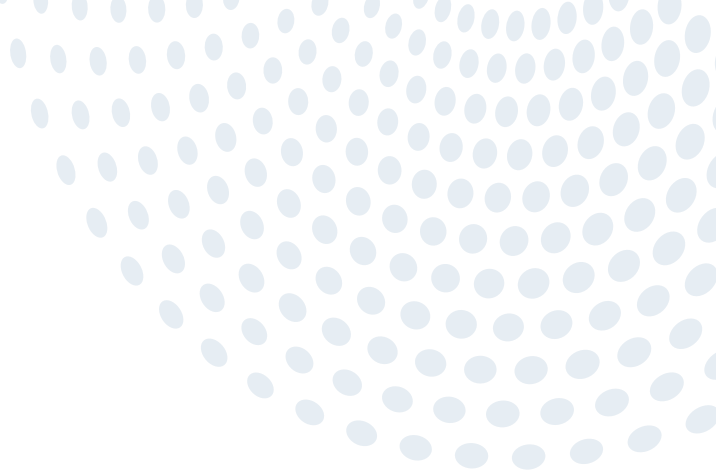
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATIONS ON SCOPE OF AUDIT		
<p>Throughout the audit, NAO experienced a general lack of cooperation from the auditee. Despite several reminders and a final deadline (which was also ignored), most of the documentation and clarifications requested for audit purposes were not provided. These included:</p> <ul style="list-style-type: none"> • authorisations to procure by direct order; • quotations and other explanations regarding the procurement methods adopted; • contracts or engagement letters, as applicable; • fiscal documentation; and • evidence of publication of procurement in Government Gazette. <p>As a result, the scope of the audit was hindered and the review in the respective areas was rendered inconclusive.</p> <p>Accepted</p>	<p>The University of Malta (UoM) acknowledged that documentation and clarifications requested by the NAO were not submitted in a timely manner. These delays were due to various reasons including the pandemic, lack of resources while at the same time implementing large projects funded through the ERDF, and the resignation of the Director responsible for procurement.</p> <p>The Internal Audit Unit (IAU) at the UoM conducts procurement audits regularly and, if consulted, would extend its full cooperation with the NAO to reach the scope of the audit.</p> <p>The IAU will be following up on NAO's recommendations and the actions the UoM committed to, to ensure adherence.</p>	<p>N/A</p> <p>Ongoing</p> <p>Ongoing</p>

CONTROL ISSUES		
<p>Shortcomings in the main contract for cleaning services</p> <p>In order to ascertain that contractor's obligations are met and to safeguard the University's interests, all contracted work should be covered by an agreement signed by both parties.</p> <p>Accepted</p>	<p>The Procurement Standard Operating Procedures (SOPs) have been reviewed, approved, signed and communicated to all the employees concerned.</p> <p>In order to ascertain that contractor's obligations are met and to safeguard the University's interest, a clause is included in all contracts signed through the Department of Contracts (DoC) and the Sectoral Procurement Directorate (SPD), stating that unless the agreement is signed by both parties, payments will not be processed.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Moreover, Management is to ensure that all payments are covered by appropriate fiscal documentation.</p> <p>Accepted</p>	<p>UoM is ensuring that all payments are covered by fiscal documentation.</p> <p>Those suppliers who do not issue a fiscal receipt are being reported to the pertinent authorities on a quarterly basis, in line with standing regulations.</p> <p>This procedure has been included in the Procurement SOP.</p> <p>The management is ensuring compliance by means of random verifications and through the shortcomings identified by the IAU in its routine inspections.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Published value of contract for security services understated</p> <p>Every effort is to be made to ensure that information sent for publication in the Government Gazette is correct.</p> <p>Accepted</p>	<p>The management makes every effort to ensure that information sent for publication in the Government Gazette is correct.</p> <p>The contract referred to by NAO was awarded to two contractors; half of its duration was awarded to one contractor while the other half was awarded to another contractor. However, the UoM had the right to renew the contract every year over three years as a safeguard, and that is the reason why the contract value was published as such in the Government Gazette. The remaining part of the contract value was covered by another notice published in the Government Gazette the following year.</p>	<p>Ongoing</p>
<p>Contracts are to be signed in a timely manner.</p> <p>Accepted</p>	<p>As aforementioned, UoM has the mechanism in place to ensure that contracts are signed in a timely manner, and no payments are processed unless the agreement is signed by both parties.</p>	<p>Ongoing</p>
<p>No evidence showing preauthorisation for security services costs</p> <p>Management's approval is to be obtained before commitment to acquire the respective services.</p> <p>Accepted</p>	<p>The University has a procurement SOP in place which reflects the Public Procurement Regulations (SL 601.03).</p>	<p>Ongoing</p>
<p>Moreover, an adequate audit trail is to be maintained supporting the number of service hours required and subsequently charged.</p> <p>Accepted</p>	<p>An estimate of the number of hours required is being included in the request for quotations and the fees to be charged are being agreed upon with the service provider, as stated in the Procurement SOP and the Public Procurement Regulations.</p>	<p>Ongoing</p>

COMPLIANCE ISSUE

<p>Late submission of audited financial statements</p> <p>Statutory submissions are expected to be made within the established deadline.</p> <p>Accepted</p>	<p>As far as possible, the management ensures that statutory submissions are made in a timely manner.</p>	<p>Ongoing</p>
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ST PATRICK'S INDUSTRIAL SCHOOL

PERSONAL EMOLUMENTS

St Patrick's Industrial School is run by the Salesians of Don Bosco and provides a supportive learning environment that allows students, who have been through traumatic personal experiences, to prosper both academically and socially. It provides its students with an educational programme within the National Curriculum Framework and in line with current educational policies. Although the school is acknowledged as an independent church school, it has a separate service agreement with the Education Directorate.

As an integral part of this school, residential care services are also given to provide a better environment to the children entrusted to its care. These services are provided through a community home in Balzan called Don Bosco House.

The scope of the audit was to determine whether controls were in place in relation to the calculation of salaries paid by St Patrick's Industrial School during

2020, as well as to ensure that such payments were in line with general good practices and underlying agreements.

The audit of St Patrick's Industrial School, which focused on payroll, revealed errors in salary calculations, as well as weaknesses in the verification and maintenance of timesheets.

Follow-up action

Following the NAO's audit, St Patrick's Industrial School introduced a new HR Payroll system which uploads data directly to the system, thus eliminating the possibility of misinterpretations related to hours worked.

The new system has limited manual intervention to the checking and verifying of the reports, which are carried out by the Department Supervisor and the HR Administrator, respectively, thus reducing errors to a minimum.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUE		
<p><i>Lack of verification in the payroll process</i></p> <p>The process of calculating the salaries on the basis of these timesheets is to be scrutinised by at least two people in order to ensure accuracy of the payroll.</p> <p>Accepted</p>	<p>A new HR Payroll system is in place, using a face-recognition punch clock and uploading data directly to the system.</p> <p>The system processes the face recognition punch clock data against scheduled shifts and creates records that are exported to a report which is first scrutinised by the department supervisor, and then verified by the HR administrator.</p>	<p>Implemented</p> <p>Implemented</p>
<p>As far as possible, manual intervention in the working of the payroll should be minimised.</p> <p>Accepted</p>	<p>With the introduction of a fully automated payroll, manual intervention has been limited to checking and verifying the reports.</p>	<p>Implemented</p>
<p>Timesheets are also to be maintained in a way that ensures that there is no space for different interpretation as to when the employees started and ended their working days.</p> <p>Accepted</p>	<p>The face recognition punch clock and the fully automated payroll system are now in place, digitising and streamlining the signing in and out process, thus eliminating the chance of misinterpretation as to when the employees started and ended their working days.</p>	<p>Implemented</p>



INVESTMENT FUND FOR PRIVATE SCHOOLS

EXPENDITURE

Education is considered a basic pillar of Government's priorities. Indeed, with the aim of providing present and future generations with the necessary skills and talents, for citizenship and employability, throughout the years, public funds were heavily invested in this sector.

In July 2012, Government introduced the Per Capita Assistance Scheme to Independent Schools related to Services and Facilities required for the Implementation of Educational Reforms for All Children to Succeed. From its inception, the scheme has supported the independent sector to continue thriving and keep improving its educational provision by injecting direct investment proportionate to the respective school's student population.

The main scope of the audit was to determine the level of internal controls over payments effected from the foregoing line item, and to assess whether the established Standard Operating Procedure (SOP) and applicable circulars issued by the responsible Directorate were followed.

The audit revealed that disbursements effected were entirely based on data submitted by the applicants. No

onsite inspections were carried out by the Ministry to verify that the related works were actually executed. Shortcomings regarding the assessment of claims submitted were also identified.

Follow-up action

MEYR has reviewed the SOP to include a provision related to the verification of data submitted by heads of schools during compliance visits carried out in non-state schools.

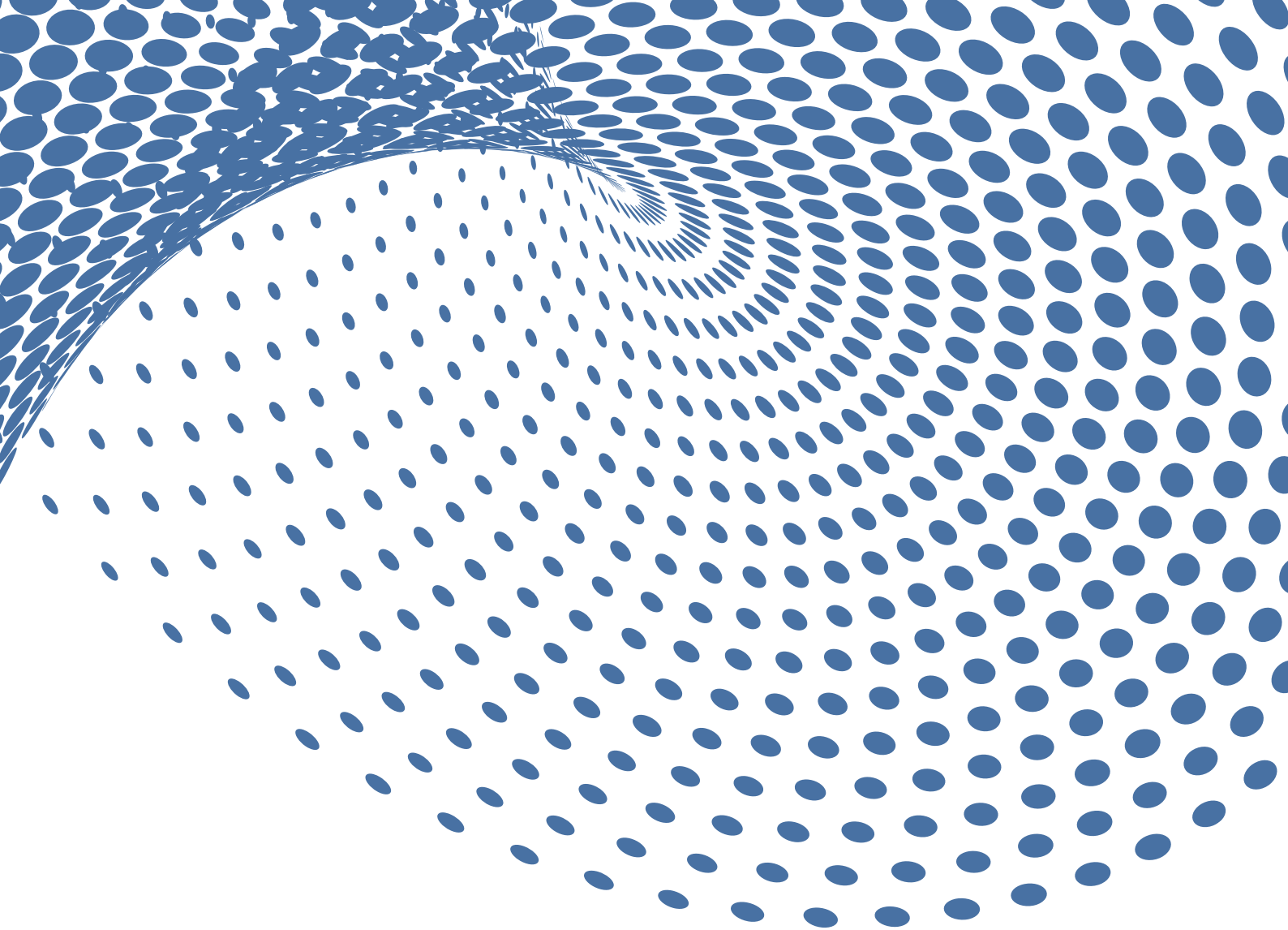
Prior to effecting payment, random spot checks are being carried out to certify that the claimed goods were received, and services were rendered. Furthermore, management is ensuring that any missing documentation is requested prior to processing any payments.

The SOP now reflects the four-eye principle throughout the internal control mechanism adopted for applications. Moreover, MEYR is not accepting claims relating to foreign payments unless these are supported by the necessary documentation.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUE		
<p>Reimbursement effected under expired scheme</p> <p>The scheme is to be formally renewed.</p> <p>Accepted</p>	<p>The scheme has been formally renewed to offer schools the opportunity to improve their infrastructure, as well as the service provided to learners.</p>	<p>Implemented</p>
<p>Notice of the renewal is to be published through the Government Gazette.</p> <p>Accepted</p>	<p>Notification of renewal of the scheme has been published in the Government Gazette to allow schools the opportunity to apply.</p> <p>An email is sent at the beginning of each year to all independent schools by the Quality and Assurance Directorate to notify them of this scheme.</p>	<p>Implemented</p> <p>Ongoing</p>
CONTROL ISSUES		
<p>Total reliance on data provided by applicants</p> <p>To ensure that the scheme is fulfilling its purpose, and that public funds are utilised in the most efficient manner.</p> <p>Accepted</p>	<p>The Management has reviewed the Standard Operating Procedure (SOP) for compliance visits and has included a provision related to the verification of data submitted by heads of schools during compliance visits carried out in non-state schools.</p>	<p>November 2022</p>
<p>The Ministry is expected to carry out random spot checks to ascertain that the respective goods were received, and services were actually rendered prior to effecting reimbursements.</p> <p>Accepted</p>	<p>Officers in the team will be assigned to carry out random spot checks to ensure that the claimed goods were received, and services were actually rendered, prior to effecting payment. Spot checks for the year 2022 will be carried out in Q4, as the majority of claims made by schools are received in Q4.</p> <p>In-house training on how to carry out spot checks has been provided to team members by the respective department.</p> <p>Relevant tools have been developed for use during these spot checks.</p>	<p>November 2022</p> <p>Implemented</p> <p>Implemented</p>
<p>Reimbursements supported by inadequate fiscal documentation</p> <p>The Ministry is to ascertain that supporting fiscal documentation is submitted by the schools. This should be in conformity with both VAT regulations and the criteria set out in applicable scheme.</p> <p>Accepted</p>	<p>The SOP has been revised to include a criterion stating that documentation submitted by schools should be in conformity with both VAT regulations and the criteria as part of the scheme. The SOP has been disseminated to all the officers concerned.</p> <p>Any missing documentation is being requested prior to processing any payments.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Applications not duly evaluated</p> <p>The Ministry is to ensure that documentation supporting the application is scrutinised thoroughly to identify any duplicate claims, highlight any anomalies or shortcomings.</p> <p>Accepted</p>	<p>The SOP has been reviewed to reflect the four-eye principle throughout the internal control mechanism. The process is being managed by five officers who are tasked with double-checking the grants in a structured way, and that checks are carried out in a timely manner when claims are not clear.</p>	<p>Implemented</p>
<p>Subsequently the Ministry ought to obtain timely clarifications in order to accept or reject as applicable.</p> <p>Accepted</p>	<p>All clarifications sought by the management are being made in writing, and retained and filed to ensure an adequate audit trail. The process is detailed in the SOP.</p>	<p>Implemented</p>
<p>Moreover, claims relating to foreign payments are to be invariably supported by the required documentation, otherwise these are not to be accepted by the Ministry.</p> <p>Accepted</p>	<p>The SOP has been reviewed to include a clause that claims related to foreign payments are to be supported by the necessary documentation. The SOP is used as a guideline to officers working on the Per Capita Assistance Scheme grant.</p>	<p>Implemented</p>

COMPLIANCE ISSUE		
<p>Standard operating procedure not followed</p> <p>SOP issued by the Ministry is to invariably include the effective date; thus, informing the users to which period it relates.</p> <p>Accepted</p>	<p>The SOP is being reviewed on a yearly basis to include all necessary updates. The SOP is circulated to all staff concerned.</p> <p>The Management is ensuring compliance.</p> <p>Each version of the SOP includes the effective date to indicate the period to which it relates.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>The Ministry is also encouraged to keep a copy of previous versions of SOP in file for future reference.</p> <p>Accepted</p>	<p>Each version of the SOP is filed and retained by all the officers concerned.</p>	<p>Implemented</p>



MINISTRY FOR THE **ENVIRONMENT, ENERGY AND ENTERPRISE**

(reported by the NAO as Ministry for Energy and Water Management
and Ministry for the Environment, Sustainable Development
and Climate Change)



AUTOMATED REVENUE MANAGEMENT SERVICES Ltd

REVENUE

(reported by the NAO under Ministry for Energy
and Water Management)

Automated Revenue Management Services Ltd (ARMS) was registered as a private limited liability company on 19 January 2009. Its main objective is to develop, set up, operate, administer and manage an integrated utilities business system with automated metering infrastructure for the purposes of billing services and management of information on related customers. ARMS collects revenue on behalf of its two shareholders, Enemalta p.l.c. and the Water Services Corporation, and all amounts collected are transferred to the respective entities accordingly.

The main purpose of this audit was to evaluate the adequacy of ARMS' policies and procedures in place for the collection of revenue from utilities, as well as to ensure that the income received was duly recorded in a timely manner. The audit also sought to verify whether appropriate action against defaulters was taken in a fair and adequate manner.

The audit revealed that the recoverability of long outstanding material amounts due to ARMS was uncertain or difficult to recoup.

Follow-up action

To address the concerns raised by the NAO in relation to long outstanding amounts, ARMS are entering into a repayment agreement with clients, customised for each debtor to enable the debtor to settle dues.

In cases where amounts may be close to being time-barred, ARMS initiates legal action prior to suspension of services. Whenever ARMS fails to recover any amount due, the account remains suspended, and all warrants and garnishees remain in place. Additionally, an interaction record is registered so that the debtor is not given any other utility service.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Uncertain recoverability of long outstanding material amounts</i></p> <p>Whilst continuing with its regular monitoring over its debtors and current enforcement procedures through its Legal Section, ARMS is also to explore alternative remedies, such as administrative arrangements, for the recovery of pre-2019 dues.</p> <p>Accepted</p>	<p>ARMS has a robust and effective mechanism in place, intended to secure arrangements with debtors.</p> <p>Whenever ARMS fails to recover any amount due, the account remains suspended, and all warrants and garnishees remain in place. Additionally, an interaction record is registered so that the debtor is not given any other utility service.</p> <p>ARMS are also entering into a repayment agreement with clients, customised for each debtor to enable the debtor to settle dues.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Accumulation of outstanding amounts unlikely to be recouped</i></p> <p>ARMS is to ensure that whenever legal action is resorted to, this is immediately flagged and followed up in order to avoid the unnecessary accumulation of interest on the outstanding amounts.</p> <p>Accepted</p>	<p>To safeguard ARMS' interests, in cases where amounts may be close to being time-barred, legal action is initiated prior to suspension of services.</p> <p>All cases referred to suspension or legal action are inserted and flagged in the system. Case follow-up is carried out accordingly.</p>	<p>Ongoing</p> <p>Ongoing</p>

IMPLEMENTATION OF NEW POLICIES

In 2019, ARMS issued two important policies, namely the Write-off Policy and the Legal Office Policy. The former, which came into effect in June 2019, aimed to establish the scenarios when a write-off was to be considered and the procedures to be followed in such cases. On the other hand, the Legal Office Policy, implemented in November 2019, laid down clear guidelines to be followed for all legal cases relating to the recouping of dues owed by utility customers.

The NAO acknowledged that the implementation of these two policies was a step in the right direction which helped ARMS exercise further control over its debt collection process.



STREET LIGHTING AND OTHER SERVICES

EXPENDITURE

(reported by the NAO under Ministry for Energy and Water Management)

On 2 October 2014, the Government of Malta entered into a 10-year agreement commencing 1 November 2014 with Enemalta PLC, whereby the latter, as the sole distributor of electricity in the Maltese islands, was to provide public lighting services, including supply of electricity, provision of infrastructure, as well as inspection and maintenance thereto.

The main scope of the audit was to determine the level of internal controls over expenditure incurred out of the pertinent line item. In this regard, the procedures in place were analysed to assess adequacy and compliance with the current agreement between the Government and Enemalta PLC.

The audit revealed that the Ministry relied mostly on the service provider for data and pertinent documentation on the subject matter. Independent checks to identify irregularities were not carried out on a regular basis. The necessary approval from the Department of Contracts prior to entering into the agreement for the provision of public lighting was not traced.

Follow-up action

By December 2022, the Ministry will draft a holistic

plan addressing the restructuring process together with a capacity building plan.

The Ministry is verifying that inspections were performed by reviewing inspection reports and schedules. The Ministry is being provided with quarterly inspection reports that indicate the actual inspections held in the preceding quarter and the inspections planned for the subsequent quarter.

The Ministry is also verifying that maintenance was performed by reviewing fault and maintenance reports and schedules respectively. The Ministry is receiving a copy of the maintenance report biannually. This report includes detailed statements of all the works carried out.

The endorsement of the new Act of Entrustment followed extensive collaboration between the Ministry and the Ministry for Finance. The new Act of Entrustment is *in vigore*.

The Ministry reached an agreement with the competent authorities to carry out audit reviews annually in line with article 4.2.4 of the Act of Entrustment. The auditor selected has finalised the audit reviews for 2018-2020.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>Due to the lack of detailed documentation available at the Ministry, in-depth testing could not be carried out. Thus, it was not possible to determine:</p>	<p>The Ministry is drafting a holistic plan, addressing the restructuring process together with a capacity building plan.</p>	<p>December 2022</p>
<p>a. whether the unit charge applied for electricity consumption in the case of street lighting was in line with those disclosed in the Electricity Supply Regulations.</p> <p>b. whether inspections charged for were actually carried out; and</p> <p>c. the nature and extent of maintenance services performed.</p>	<p>The recommendations put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> The contract management responsibilities are assigned and delineated; and Inspections and maintenance carried out by Enemalta are being monitored. 	<p>December 2022</p>
<p>Accepted</p>	<p>The Ministry is retaining all pertinent data and documentation in the administration files.</p>	<p>July 2023</p>
	<p>Separate files will be retained for claims of different nature.</p>	<p>Ongoing</p>
	<p>The Ministry is considering feasible alternatives to monitor the inspections being performed by Enemalta. Automated means of verification are subject to discussions with relevant stakeholders.</p>	<p>Ongoing</p>
	<p>In the interim, the Ministry is verifying that:</p> <ul style="list-style-type: none"> inspections were performed by reviewing inspection reports and schedules; and maintenance was performed by reviewing fault and maintenance reports and schedules. 	<p>Ongoing</p>

KEY ISSUE

Ministry lacked pertinent data on the subject matter

The Ministry also needs to keep itself abreast with the initiatives undertaken by other Government entities. This will ensure that ultimately resources are used in the most efficient and effective manner to the best interest of citizens.

Accepted

The Ministry started the process to identify the pertinent stakeholders and consult them appropriately in the course of drawing up the restructuring plan.

October 2022

The plan will be documented and will include:

December 2022

- The list of stakeholders; and
- The purpose and proposed frequency of consultation in relation to implementation.

All the minutes, and related documentation will be filed for auditing purposes.

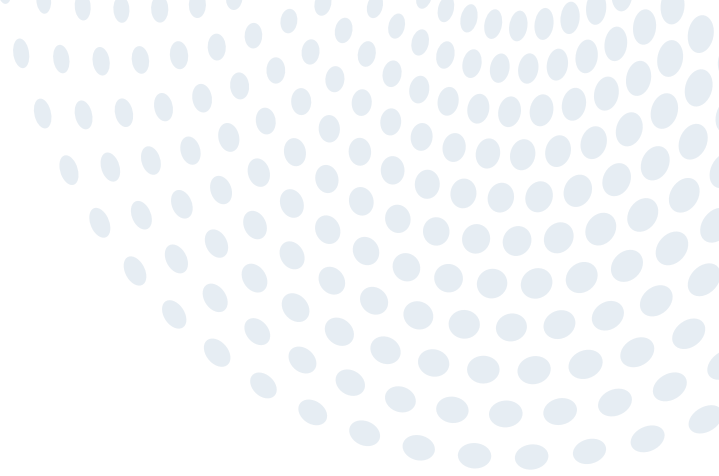
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>For the sake of good governance and accountability, the Ministry is expected to take a more active role in the operation of its contracts.</p> <p>Accepted</p>	<p>The Ministry is retaining all documentation in subject-specific administration files.</p> <p>As part of its restructuring plan, the Ministry will conduct an HR capacity building plan.</p> <p>The recommendation put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • Calls for applications will be issued in accordance with the approved HR capacity building plan; • SOPs detailing the full procedures related to contract management are drafted and circulated among the staff concerned; • The Ministry obtains access to records already held by Enemalta; • A system to conduct independent verifications is implemented; and • Risk registers covering the whole operations are prepared. 	<p>Ongoing</p> <p>December 2022</p> <p>March 2023</p> <p>December 2022</p> <p>March 2023</p> <p>March 2023</p> <p>March 2023</p>
<p>Lack of independent regular checks</p> <p>Adequate internal controls are to be implemented. Invoices are not to be paid before these are thoroughly verified. It is to be made clear to all officers that, as also outlined in the General Financial Regulations, when endorsing a document and/or certifying invoices one is assuming the responsibility that the data, including the amounts contained in that document, is correct.</p> <p>To be able to carry out this task, it is important that the Ministry is provided with documentation, substantiating the basis on which invoices are raised.</p> <p>Accepted</p>	<p>An internal memo was circulated to highlight that when an officer is endorsing the invoices, he/she is assuming the responsibility that the data in that document is correct.</p> <p>The recommendation put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • An SOP detailing the procedures to perform adequate verifications is drawn up and circulated; • Works are thoroughly checked by a warranted engineer and certified correct by the DCS; and • Random spot checks are performed to ascertain that inspections and maintenance works are carried out as stipulated by Enemalta. <p>In the interim, the Ministry is verifying that:</p> <ul style="list-style-type: none"> • inspections were performed by reviewing inspection reports and schedules; and • maintenance was performed by reviewing fault and maintenance reports and schedules. 	<p>Implemented</p> <p>December 2022</p> <p>March 2023</p> <p>June 2023</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Furthermore, reviews and verifications are expected to be carried out on a more frequent basis so that remedial action is taken as necessary without undue delays.</p> <p>To this effect MEWM is to consider that a clause requiring an annual audit review is disclosed in the new Act of Entrustment.</p> <p>Accepted</p>	<p>The Ministry reached an agreement with the competent authorities to carry out audit reviews annually in line with article 4.2.4 of the Act of Entrustment.</p> <p>The selected auditor has finalised the audit reviews for 2018-2020.</p> <p>The auditor will complete the audit reviews for 2021-2022.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2023</p>
<hr/>		
<p>Approval not traced</p> <p>Public Procurement Regulations are to be adhered to and clearance from the right level of authority is to be obtained prior to the signing of the related agreements. This will enhance transparency, accountability and good governance.</p> <p>Accepted</p>	<p>The new Act of Entrustment was endorsed following extensive collaboration between MEEE and the Ministry for Finance.</p> <p>The new Act of Entrustment has been finalised and is <i>in vigore</i>.</p>	<p>Implemented</p> <p>Implemented</p>
<hr/>		
CONTROL ISSUES		
<p>Street lighting: Manual Street lighting meters readings</p> <p>It is in the interest of the Ministry to have at its end a copy of all the meter readings, together with the invoices originally issued by the Automated Revenue Management Services Ltd. In the absence of this data, adequate verifications cannot be carried out.</p> <p>Accepted</p>	<p>The recommendation put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • Copies of the meter readings and relevant invoices are provided to the Ministry; • Pertinent data and documentations are retained and duly filed for future reference and audit trail; and • The HR capacity is increased to be able to carry out the required verifications in accordance with the approved HR capacity building plan. 	<p>March 2023</p> <p>March 2023</p> <p>March 2023</p>
<p>Consequently, MEWM is recommended to carry out the necessary amendments to the Act of Entrustment so as to reflect this specific requirement.</p> <p>Accepted</p>	<p>The Act of Entrustment, under articles 4.2.4 and 4.3.5, allows the Ministry to obtain a copy of all the meter readings, together with the invoices and carry out the verifications required.</p>	<p>Implemented</p>
<p>In consultation with Enemalta, Management is also to devise a plan on how all meters would gradually be converted to smart meters and thus be placed on the Automated Meter Management system, to ensure that invoices reflect actual consumption.</p> <p>Accepted</p>	<p>In conjunction with the restructuring exercise, the Ministry, together with Enemalta, will prepare a detailed plan with timeframes to ensure that all meters are converted to smart meters and placed on the Automated Meter Management System.</p>	<p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Until such plan materialises, alternative verification methods are to be adopted.</p> <p>Accepted</p>	<p>In the interim, an SOP detailing the procedure to be followed to read all non-smart meters over a specific span of time and on a regular basis, is drafted and circulated.</p> <p>The Ministry will ensure that all non-smart meters are located. Once unlocated non-smart readers are identified, the Ministry will start discussions with Enemalta to solve the issue.</p> <p>Calls for applications will be issued in accordance with the approved HR capacity building plan.</p>	<p>December 2022</p> <p>December 2022</p> <p>March 2023</p>
<p>Street lighting: <i>Anomalies in the devolution of the street light function in Gozo</i></p> <p>The Ministry is to consider escalating this issue with higher authorities so that all services, including consumption, with respect to street lighting in the island of Gozo will be fully devolved to the respective Regional Council.</p> <p>Accepted</p>	<p>The new Act of Entrustment agreement does not incorporate Gozo since street lighting in Gozo was fully devolved to the Gozo Regional Committee.</p> <p>The Ministry is holding discussions with MGOZ to initiate the process to transfer Gozo street lighting accounts from MEEE to MGOZ.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Infrastructure: <i>Record of Infrastructure Inventory not readily available</i></p> <p>It is in the Ministry's interest to ensure that it maintains an updated record of the aforementioned assets for its perusal.</p> <p>Accepted</p>	<p>The Ministry was informed by Enemalta that all assets are marked with a unique asset code. The Ministry is in discussions with Enemalta to obtain access to records already held by Enemalta.</p> <p>An officer will be assigned duties to maintain and regularly check the fixed asset register.</p>	<p>March 2023</p> <p>March 2023</p>
<p>Inspections: <i>Ministry not informed beforehand of planned inspections</i></p> <p>Management is to ensure that reporting requirements emanating from the applicable agreement are fully adhered to.</p> <p>Accepted</p>	<p>Quarterly reports in relation to inspections are being provided. These reports indicate the actual inspections held in the preceding quarter and the inspections planned for the subsequent quarter.</p> <p>The recommendations put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • Inspection reports are analysed to verify that planned inspections were carried out; • Justification is sought from Enemalta in case of discrepancies between planned and actual inspections. • Faults found during inspections are flagged to the Ministry immediately • An SOP detailing the inspection procedures is drafted. 	<p>Ongoing</p> <p>June 2023</p> <p>June 2023</p> <p>December 2022</p> <p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>In case of failure, the service provider's attention is to be drawn without undue delay.</p> <p>Accepted</p>	<p>The SOP detailing the inspection procedures, will also include the procedure required should quarterly reports not be forwarded to the Ministry in a timely manner.</p>	<p>December 2022</p>
<p>Inspections: Concerns on invoices raised</p> <p>MEWM is to ensure that it is only invoiced for services received in line with the respective agreement.</p> <p>Accepted</p>	<p>The recommendations put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • All invoices are verified against the actual readings before they are processed for payment. • All invoices are checked and approved by different officers. • An SOP detailing the inspection procedures is drafted. <p>In the interim, the Ministry is verifying that inspections were performed by reviewing inspection reports and schedules.</p>	<p>March 2023</p> <p>March 2023</p> <p>December 2022</p> <p>Ongoing</p>
<p>In case of any errors, invoices are to be referred to the service provider concerned for the necessary revision.</p> <p>Accepted</p>	<p>As part of the restructuring plan, in case an anomaly is noted, the related invoice(s) will be referred to the service provider for the necessary revision.</p>	<p>March 2023</p>
<p>Payments are to be processed only following submission of the updated invoices.</p> <p>Accepted</p>	<p>The Ministry is ensuring that payments are made following the submission of updated invoices.</p> <p>The Ministry is receiving the invoices based on actual readings so that these will automatically rectify any under/over payment effected on the basis of estimated consumption.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Shortcomings with respect to maintenance services</p> <p>For the sake of good governance, the Ministry is to request a copy of the maintenance reports, including a detailed record of all works carried out.</p> <p>Accepted</p>	<p>The Ministry receives a copy of the maintenance report biannually. This report includes detailed statements of all the works carried out.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>These can then be analysed to assess whether the amounts charged for are justified and whether these are yielding the desired results. This data can then be used when negotiating future agreements.</p> <p>Accepted</p>	<p>The recommendations put forward by the NAO will be addressed through a restructuring exercise that will ensure that:</p> <ul style="list-style-type: none"> • Maintenance reports are analysed to determine the charges incurred and ascertain whether these are justified; • Calls for applications will be issued in accordance with the approved HR capacity building plan; and • An SOP detailing the maintenance procedures is drafted and circulated. <p>In the interim, the Ministry is verifying that maintenance was performed by reviewing fault and maintenance reports and schedules.</p>	<p>June 2023</p> <p>March 2023</p> <p>December 2022</p> <p>Ongoing</p>
<p><i>Inconsistencies in the VAT rates applied</i></p> <p>MEWM is to ensure that entities falling under its portfolio apply the correct VAT rates.</p> <p>Accepted</p>	<p>The entities were reminded to operate in line with the established VAT requirements.</p>	<p>Implemented</p>
<p>Thus, to minimise ambiguity and misunderstandings, it is important that the agreement clearly specifies whether the charges disclosed therein are inclusive or exclusive of indirect taxation.</p> <p>Accepted</p>	<p>The new Act of Entrustment specifies whether the charges disclosed therein are inclusive or exclusive of indirect taxation.</p>	<p>Implemented</p>
<p>In case of any difficulties, in assessing the correct VAT rate to be applied, these are to be clarified with the Commissioner for Revenue.</p> <p>Accepted</p>	<p>The Ministry is ensuring that, should any difficulties in applying the VAT rate arise, clarifications from the CfR will be duly sought.</p>	<p>Ongoing</p>



ENEMED Co Ltd

REVENUE AND RECEIVABLES

(reported by the NAO under Ministry for Energy and Water Management)

Enemed Co Ltd. is a limited liability company registered under the Companies Act (Cap 386). Enemed is ultimately owned and controlled by the Government of Malta and falls under the responsibility of the Ministry for the Environment, Energy, and Enterprise. The principal activity of the company is to purchase and distribute petroleum products, currently distributed to 79 petrol stations in Malta and Gozo. Furthermore, Enemed sells petroleum to aviation companies and is in the business of renting fuel storage facilities to third parties.

The main objective of the audit was to determine the level of existing internal controls over the collection of revenue, ensuring that the revenue was correctly recorded and processed.

The audit revealed that the provision for doubtful debts for its largest debtor was insufficient. Lack of formal repayment agreements, long outstanding receivables, as well as inconsistent or non-adherence to credit policy were also noted.

Follow-up action

Enemed has implemented all recommendations made by the NAO. Enemed's legal counsel drafted a standard agreement which will be used in cases where a repayment plan is agreed upon with clients. Enemed are formalising all new commercial relationships by an agreement, stipulating the terms and conditions as a standard practice.

Enemed's credit policy and procedure were revised and approved by the Board of Directors. The updated policy includes standard procedures to ensure that a consistent approach is adopted with all debtors and actions to be taken when credit terms need to be revoked. To ensure that the credit policy is being adhered to, Enemed commissioned an external auditor to audit and draw up a report on the receivables cycle for the second quarter of 2022.

An Enemed officer is performing monthly stock reconciliation which is subsequently reviewed by the management. The review of stock reconciliations is recorded on the company's digital filing system, providing an adequate audit trail.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Insufficient provision for doubtful debts</p> <p>Besides the impairment assessments that were being made vis-à-vis amounts due from this debtor, Enemed was encouraged to increase its related provision accordingly.</p> <p>Accepted</p>	<p>In relation to the case flagged by the NAO, Enemed have increased the provision for doubtful debts to ensure that it is adequate. The decision for the provision of doubtful debts was based on an end-of-year comprehensive assessment of the receivable balance.</p>	<p>Implemented</p>
CONTROL ISSUES		
<p>No formal repayment agreements with debtors</p> <p>Terms and conditions agreed upon with customers are to be clearly documented in a formal agreement approved by Enemed and signed by the other party, and subsequently filed accordingly.</p> <p>Accepted</p>	<p>Enemed legal counsel drafted a standard agreement, forming part of the credit policy which was approved by the Board of Directors. This agreement is being used in cases where a repayment plan is agreed upon with clients.</p> <p>A list of debtors with repayment agreements is retained and is being monitored by the credit controller.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Commission paid not covered by agreement</p> <p>Special arrangements with customers are to be formalised for audit trail purposes.</p> <p>Accepted</p>	<p>A draft agreement to be used for current jobbers has been drawn up and approved by the Board of Directors.</p> <p>Agreements will be signed by Enemed and these jobbers at the opportune time.</p> <p>All new commercial relationships are being formalised by an agreement, stipulating the terms and conditions, as a standard practice.</p> <p>Enemed is keeping a record of all agreements in the company's online filing system.</p>	<p>Implemented</p> <p>December 2022</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Agreement not signed</p> <p>Agreements are to be duly signed and dated, in case of any future litigation.</p> <p>Accepted</p>	<p>Enemed is ensuring that all commercial agreements are signed by both parties and dated in due time.</p> <p>An agreement does not enter into effect unless it is signed by all parties concerned.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Non-adherence to credit policy and inconsistent credit terms</p> <p>NAO acknowledges Enemed's efforts to take action on problematic debtors, also engaging a credit controller towards the end of 2020. However, Enemed needs to update its credit policy procedures ensuring that it covers all possible credit terms and when these are to be applied.</p> <p>Accepted</p>	<p>The credit policy and procedure were revised and approved by the Board of Directors.</p> <p>The credit controller is carrying out regular monitoring of debtors, requests payments, and collects debts in line with repayment agreements in place.</p> <p>The management holds regular meetings with the credit controller to monitor debt and aged debtors.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>When these are to be applied, following which, the established credit policy is to be invariably followed. Inconsistency in credit terms needs to be invariably avoided.</p> <p>Accepted</p>	<p>The new policy includes standard procedures to ensure that a consistent approach is adopted with all debtors.</p> <p>To ensure that the credit policy is being adhered to, Enemed commissioned an external auditor to audit and draw up a report on the receivables cycle of quarter 2, 2022. Following the presentation of the report, the external auditor will monitor to ensure that the recommendations therein are implemented.</p> <p>Enemed carried out a review of all the contracts in place to ensure that there is consistency between contracts and invoicing.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Long outstanding receivables</p> <p>Enemed is to ensure that repayment arrangements are closely monitored.</p> <p>Accepted</p>	<p>The three debtors referred to by the NAO have settled amounts due and both clients are adhering to their credit terms.</p> <p>The credit controller is ensuring that repayment plans are adhered to.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Any decision to withhold credit terms is expected to be applied to control outstanding amounts.</p> <p>Accepted</p>	<p>The updated credit policy and procedure include actions to be taken when credit terms need to be revoked.</p>	<p>Implemented</p>
<p>Interest rates for late payments not applied</p> <p>The standard operating procedures should reflect the chargeable interest for late payments which is also to be included in the respective contracts. This will encourage customers to pay on time and avoid debt collection costs further along the line. Otherwise, when customers realise that interest is not being charged, they will abuse of their credit limits and postpone payments, with the risk of not being recouped.</p> <p>Accepted</p>	<p>In line with the revised approved credit policy and procedure, interest rates are being applied for late payments.</p> <p>The management is ensuring compliance by monitoring debts and applying interest rates when required.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Stock reconciliations</p> <p>It would be more appropriate if the monthly spreadsheet is signed independently by the preparer and the reviewer, by means of the signature setup function within the spreadsheet itself. This would ensure segregation of duties; while the preparation of the reconciliation helps prevent error and fraud, it is the review step that makes this procedure an internal control.</p> <p>Accepted</p>	<p>To ensure segregation of duties, monthly stock reconciliation is performed by an officer and reviewed by the management.</p>	<p>Ongoing</p>
<p>Once signed as reviewed, the document is to be dated. Any further changes would indicate that the document was edited and should be supported with an adequate explanation.</p> <p>Accepted</p>	<p>The review of stock reconciliations is recorded on the company's digital filing system, providing an audit trail of the date when the file is uploaded, edited and reviewed, as well as the users uploading, editing, or reviewing the file.</p> <p>Stock reconciliations are filed in separate files for each month in the digital filing system.</p>	<p>Ongoing</p> <p>Ongoing</p>



WASTESERV MALTA LIMITED

EXPENDITURE

(reported by NAO under the Ministry for the Environment,
Sustainable Development and Climate Change)

Established in November 2002 as a limited liability company and falling under the remit of the Ministry for the Environment, Climate Change and Planning, WasteServ Malta Limited (WSM) is responsible for organising, managing, and operating integrated systems for waste management.

Since its inception, WSM has been committed to promote waste reduction and recycling, whilst establishing and maintaining innovative waste management infrastructure to protect the environment and society. To achieve these objectives, WSM has undertaken a number of capital projects including, amongst others, the Ghallis Engineered Landfill, the Sant'Antrnin Waste Treatment Plant, civic amenity sites, and bring-in sites. Various other capital initiatives were also being carried out in 2020, with the aim of further enhancing the country's waste management systems.

The main purpose of the audit was to ascertain whether the procurement system applied by WSM for purchases of goods and services relating to capital projects was in line with the applicable regulations. The audit also focused on assessing the adequacy of the entity's internal controls on this area.

The audit revealed that, in general, procurement relating to capital projects undertaken by WSM was carried out in line with the requirements of the Public Procurement Regulations (PPR). However, instances were noted where agreements were entered into by means of negotiated procedures without definite approval from the Department of Contracts. Variations from contracted terms not approved by the latter were also noted

Follow-up action

WSM has taken on board NAO's recommendations and, as a first step, compiled a Manual of Procedures (MOP) outlining the procurement procedure. The MOP was circulated to all employees concerned. The management is ensuring that the negotiated procedure is used as a last resort and in line with the PPR.

The MOP in place also delineates the procedure to be followed regarding modifications and variations to contracts. All requests for variations are duly justified and the necessary approvals from the Department of Contracts are obtained.

The MOP is regularly monitored and updated as required.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Negotiated procedures lacking Department of Contract's definite approval</i></p> <p>When entering into negotiated procedures, WSM is to ensure that definite approvals are sought and obtained from the Department of Contracts prior to signing of the respective agreements.</p> <p>Accepted</p>	<p>A Procurement Manual of Procedures (MOP) has been compiled, approved, and circulated to all employees concerned.</p> <p>The MOP, including flow charts, are regularly updated and any changes are communicated to all the procurement staff.</p> <p>The senior management is ensuring that when entering into negotiated procedures the definite approvals are sought and obtained from the Department of Contracts (DoC) prior to signing the respective agreements.</p> <p>Procurement requests are checked by procurement personnel and verified by senior management. When the procedure is not in line with the MOP, the requests are rejected until the proper procedure is fully implemented.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Delays in works designated as urgent</i></p> <p>WSM is to adhere to the requirements of the Public Procurement Regulations (PPR), with negotiated procedures being only resorted to in cases of extreme urgency, brought about by events not previously foreseen by the entity.</p> <p>Accepted</p>	<p>The management is ensuring that the negotiated procedure is used as a last resort and in line with the PPR.</p>	<p>Ongoing</p>
<p>In this regard, WSM is to identify any required tasks ahead of these becoming urgent and accordingly resort to normal open procurement procedures.</p> <p>Accepted</p>	<p>An annual procurement and project management planning exercise for the following year is carried out every October following the approved budget by the Ministry for Finance and Employment. Each line item is broken down to describe the details of each specific procurement process with the objective to apply the open procurement procedure.</p> <p>WSM ensures that planning for calls for tenders is done well in advance in accordance with the MOP and with the PPR. Planning starts six months in advance prior to the expiry of the current tender.</p>	<p>Ongoing</p> <p>Ongoing</p>

COMPLIANCE ISSUE

<p><i>Variation to contract without prior approval from Department of Contracts</i></p> <p>Modifications to contracts are to be approved by the Department of Contracts in line with standing regulations.</p> <p>Accepted</p>	<p>The MOP in place delineates the procedure to be followed regarding modifications and variations to contracts. The management ensures that such requests are duly justified and that the necessary approvals from the DoC are sought.</p>	<p>Ongoing</p>
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GENERAL COMMENTS

Given that projects sometimes required urgent action and that certain services could only be procured from a particular supplier, the internal control procedures in place with respect to the area under review were considered adequate.

Apart from the matters noted under the Control Issues section, review of the documentation supporting the sampled transactions revealed that, in general:

- where negotiated procedures were resorted to, these were effected for reasons of extreme urgency and/or lack of competition for technical reasons; and
- requests for negotiated procedures were always substantiated by valid reasons and were usually approved by the appropriate authority, ahead of the commitment to purchase.

Notwithstanding the above, this Office still emphasises the importance of effecting procurement through negotiated procedures with due diligence, especially *vis-à-vis* repeat suppliers, thereby reducing, to the least extent possible, any inherent risks associated with procuring goods and services from an uncompetitive market.



AMBJENT MALTA

EXPENDITURE

(reported by the NAO under the Ministry for the Environment, Sustainable Development and Climate Change)

Ambjent Malta was initially set up as a Department within the Ministry for the Environment, Sustainable Development and Climate Change (MESDC) during 2018 to act as an environmental guardian. However, following the reshuffling of ministerial portfolios in January 2020, it was relocated under the Ministry for Tourism and Consumer Protection and its name changed to Tisbiħ Malta. Since MESDC lacked an implementation arm, Tisbiħ Malta was subsequently divided in two, as indicated hereafter.

The management of Natura 2000 sites, marine conservation areas, nature parks, afforestation and special environmental projects, remained under the remit of Ambjent Malta, which Department was relocated back under MESDC.

The main purpose of the audit was to verify that expenditure was carried out in line with Public Procurement Regulations.

The audit revealed that expenditure incurred by Ambjent Malta, with respect to the upgrading of parks, public gardens and greening urban areas, lacked a proper audit trail due to insufficient source documentation. Control in the management of fixed assets was also weak, whilst procurement guidelines were not always adhered to.

Follow-up action

Following the split between Parks Malta and Ambjent Malta, the latter carried out an exercise to identify assets pertaining to it. The assets were listed and an updated fixed assets register was uploaded in the Corporate Financial Management System (CFMS).

Through CFMS, Ambjent Malta is ensuring a holistic cost recording of every project undertaken. Furthermore, all the relevant documentation relating to a particular project is uploaded in the CFMS. Moreover, Ambjent Malta has appointed a Procurement Manager II to oversee all procurement procedures, and these are implemented in line with the pertinent regulations and guidelines. Internal compliance checks and reporting are carried out regularly.

Following the NAO's audit, Ambjent Malta has changed its procedure with regard to the financing of environmental projects that are undertaken with local councils. Payments are being done in tranches. Ambjent Malta also took on board the NAO's recommendation to modify its selection process of prospective beneficiaries to reflect more fairness and transparency.

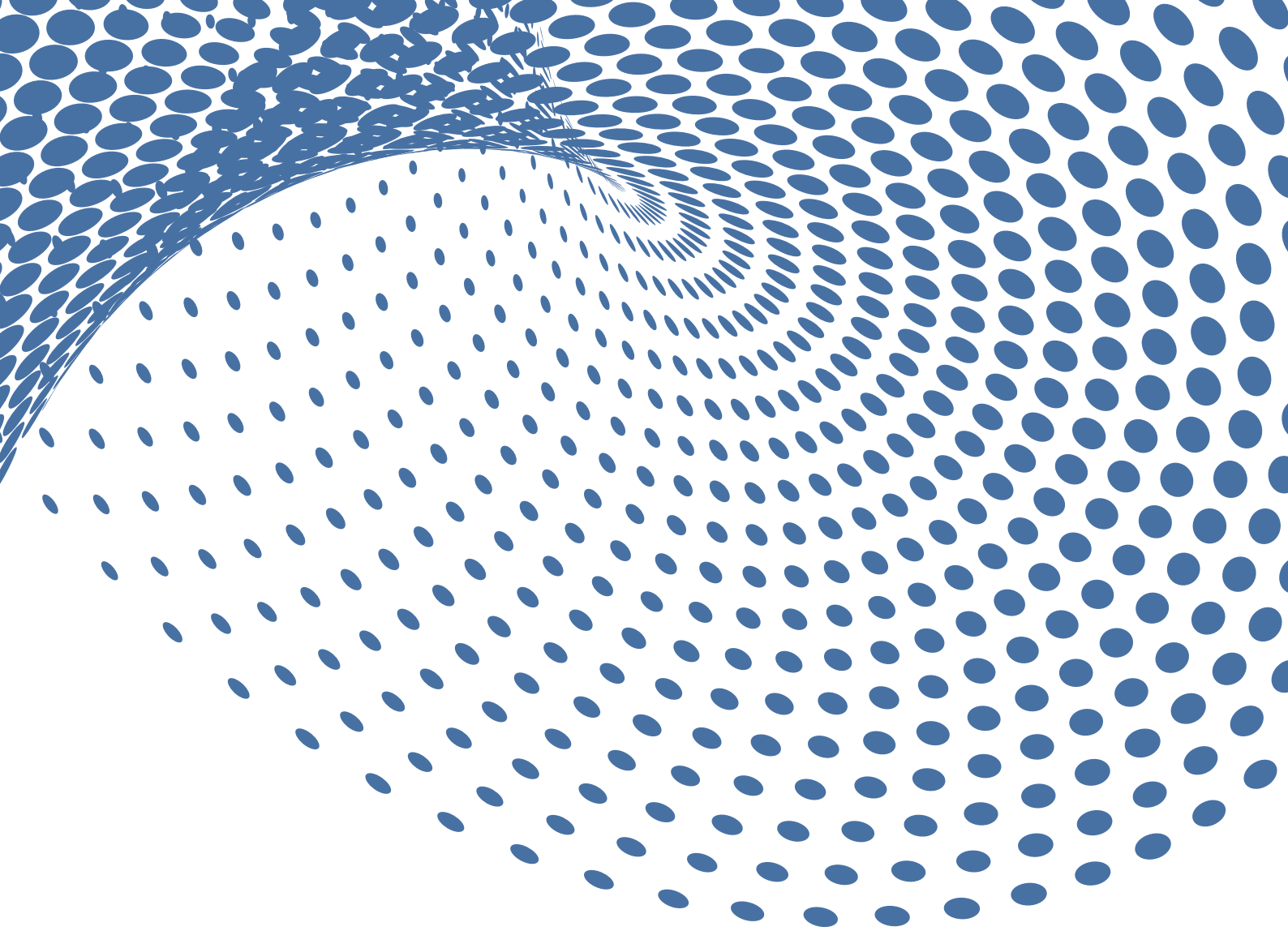
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p><i>Basis of selecting greening projects not formalised</i></p> <p>The selection process of prospective beneficiaries is expected to be fair and transparent.</p> <p>Thus, the basis on which decisions are established are to be formally formulated and filed for future reference.</p> <p>Accepted</p>	<p>During year 2021, Ambjent Malta requested local councils to propose plans for urban greening projects for possible consideration of funding. The projects were then evaluated in terms of their cost-effectiveness and environmental benefits potential.</p> <p>Meetings were held with all local councils to explain the objective of the scheme and the criteria on which the projects were going to be assessed.</p> <p>An inter-ministerial board was set up, consisting of technical and professional members, to evaluate the applications submitted. Ranking was determined on the basis of the established criteria.</p> <p>The applications, the evaluation report, and the order of merit were documented and filed accordingly for future reference and to ensure a complete audit trail.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Rather than selecting specific Local Councils, it would probably be more beneficial if project plans are submitted by the Councils and selection is based on the effectiveness of these proposals.</p> <p>Accepted</p>	<p>As from 1 January 2022, Ambjent Malta launched a scheme, whereby local councils are invited to forward proposals for environmental green projects within their localities. Submissions are assessed on the greening potential, originality, cultural engagement, and community benefit, aesthetic design, and timeframe of the project implementation.</p> <p>Local councils are responsible for the maintenance of their respective green project.</p>	<p>Implemented</p> <p>Ongoing</p>
<p><i>Inventory database not updated following the re-assignment of ministerial portfolio</i></p> <p>All assets falling under Ambjent Malta's remit are to be identified.</p> <p>Accepted</p>	<p>Following the split between Ambjent Malta and Parks Malta, assets pertaining to Ambjent Malta have been identified.</p> <p>An exercise was carried out whereby the assets remaining at Ambjent Malta were listed and uploaded to the Corporate Financial Management System (CFMS).</p>	<p>Implemented</p> <p>Implemented</p>
<p>Management is also to ensure that a proper fixed asset register is compiled without delay.</p> <p>Accepted</p>	<p>An updated fixed assets register pertaining to Ambjent Malta has been uploaded in the CFMS.</p> <p>The management ensures that all acquired assets are duly recorded electronically at the point of purchase.</p> <p>Training on the CFMS, together with a User Manual of the Fixed Assets Module, has been provided to all officers concerned.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Actual project costs could not be reconciled to the estimated budget</p> <p>Incomplete valuations will provide distorted data which cannot be compared to the project estimated budget and thus will be considered meaningless. Therefore, it is pertinent that the respective data incorporates all expenditure incurred for the execution of the related project.</p> <p>Accepted</p>	<p>Ambjent Malta is recording data pertaining to each project which is collated and recorded electronically in the CFMS. The system provides for a holistic cost recording of the relative project under its respective budget line item, as well as for contract modifications.</p> <p>Ancillary expenditure is also recorded in the CFMS.</p> <p>In the case referred to by the NAO, Ambjent Malta is in a position to substantiate the resultant difference in the estimated cost which related to the ancillary works performed by Ambjent Malta's employees. All expenditure incurred for the execution of these works is recorded and filed to ensure a complete audit trail.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>The Department is also encouraged to maintain a proper breakdown of what constitutes the total project cost as any divergencies will result in incorrect disclosure of capital assets in the Ministry's financial statements.</p> <p>Accepted</p>	<p>Ambjent Malta is ensuring that all the relevant documentation is uploaded to the CFMS, including the breakdown of the total project cost, approvals, purchase orders, invoices, receipts, and other related documents.</p>	<p>Ongoing</p>
CONTROL ISSUE		
<p>Unrealistic budgetary plans</p> <p>Realistic budgeting is essential in the development of any project, as without a well-planned budget, projects can fall apart and be left incomplete. Proper budgeting will prevent unnecessary costs and enable comparison with the actual costs accordingly.</p> <p>Accepted</p>	<p>Ambjent Malta has intensified its market research to obtain an accurate budget estimate of projects and projects components. This is being achieved by consulting a broader number of economical operators during the respective market research.</p> <p>Ambjent Malta has carried out a business process re-engineering exercise with respect to the compilation of public calls for tenders and calls for quotations, whereby, prior to publication, the Procurement Section and Project Support Section ensure that the project includes all necessary modules and each module budget is correctly established.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Non-adherence to pertinent regulations and guidelines</p> <p>Management is to ensure that internal controls are operating effectively. This can only be achieved if the relevant regulations and guidelines are invariably complied with.</p> <p>Accepted</p>	<p>Ambjent Malta is assigning a project leader in the grade of Manager II/I to each project. The project leader's role is to monitor both the implementation of the project as well as the administrative requirements of the respective tender.</p> <p>Ambjent Malta is in discussions with the Institute for Public Services (IPS) to provide training in project management to the project leaders.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, besides giving protection to the Department as a safeguard for any defective or non-conforming work, retention money and bank guarantees provide an incentive to the contractor to complete the project on time and of good quality.</p> <p>Accepted</p>	<p>Ambjent Malta has appointed a Procurement Manager II to ensure that procurement procedures are implemented in line with the Public Procurement Regulations (PPR).</p> <p>Ambjent Malta liaises with the Office of the Permanent Secretary and the Sectoral Procurement Directorate (SPD) to monitor bank guarantees and retention money clauses.</p> <p>Ambjent Malta ensures that all calls for tenders, calls for quotations, and direct orders include the retention money clauses.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Hence the applicable clause is to be included in all construction contracts and thereafter ensure that a valid bank guarantee is provided.</p> <p>Accepted</p>	<p>Ambjent Malta ensures that all construction contracts include the applicable clauses in accordance with the General Rules Governing Tenders and the General Conditions for Service/Supplies or Works Contracts, as well as the pertinent Procurement Policy Notes and also the Guidance Notes issued by the Department of Contracts regarding bank guarantees.</p>	<p>Ongoing</p>
<p>Management is to ensure that internal controls are operating effectively. This can only be achieved if the relevant regulations and guidelines are invariably complied with.</p> <p>Accepted</p>	<p>Ambjent Malta designated compliance duties to an officer to carry out periodic compliance checks.</p> <p>Ambjent Malta ensures that regular internal compliance checks are carried out and reported to the Director General (Ambjent Malta) on a quarterly basis.</p>	<p>Implemented</p> <p>Ongoing</p>
<p><i>Lack of formal documentation to support decisions taken</i></p> <p>Audit trails are key indicators of good internal controls. Thus, decisions taken and related justification, where applicable, are to be documented and filed for future reference, business continuity, as well as for audit purposes.</p> <p>Accepted</p>	<p>Ambjent Malta performed a review of its operational procedures with the objective to strengthen its internal controls.</p> <p>The Standard Operating Procedures for all internal procedures are updated regularly and uploaded online for the perusal of all employees concerned.</p> <p>Regular internal compliance checks are being carried out to ensure that the correct procedures are being followed.</p> <p>Reports on the findings of the spot checks are filed to ensure a complete audit trail and followed up to address the shortcomings encountered.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

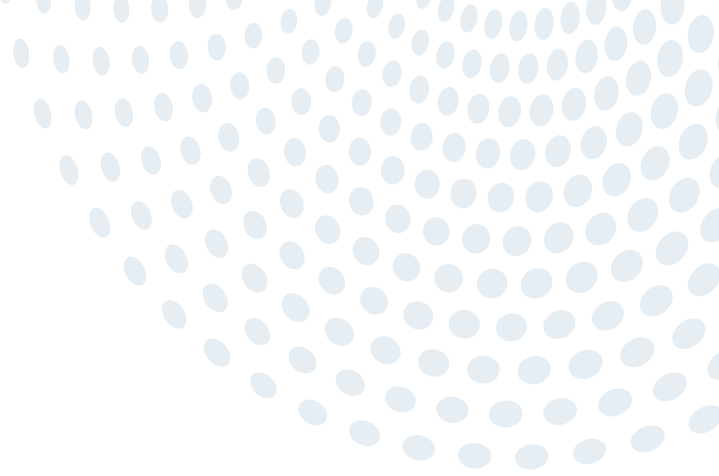
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings in the green urban projects undertaken with other entities</p> <p>Given that these projects are financed by Ambjent Malta, the Department is expected to take a more proactive role and ensure that the agreed deadlines are met.</p> <p>As an incentive, it is advisable to provide funding upon the completion of established stages rather than provided outrightly in advance.</p> <p>Accepted</p>	<p>Following the NAO's audit, Ambjent Malta has changed its procedure with regard to the financing of environmental projects that are undertaken with local councils. Payments are being done in tranches, upon the signing of the agreement and according to the percentage of the execution of works.</p> <p>An SOP detailing the eligibility criteria for the selection of projects undertaken with local councils and the procedure of staggered payments has been drawn up and communicated to all officers concerned.</p> <p>The management is ensuring compliance by assigning an officer to monitor the execution and implementation of these agreements.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

COMPLIANCE ISSUE		
<p>Statutory returns not submitted to NAO</p> <p>Management is to make sure that officers in charge of the respective tasks are aware of the statutory returns which are to be accurately compiled in line with the related circular and submitted to NAO as required by the pertinent provisions.</p> <p>Accepted</p>	<p>Ambjent Malta has assigned an officer to monitor and update the Fixed Assets Register on an ongoing basis.</p> <p>The management ensures that statutory returns, collated directly through the CFMS, are compiled in line with the related circular and submitted to the NAO as required by the pertinent provisions.</p>	<p>Implemented</p> <p>Ongoing</p>



MINISTRY FOR **FINANCE AND EMPLOYMENT**

(Reported by the NAO as Ministry for Finance)



TAX RELIEF MEASURE EXPENDITURE

A tax relief measure was announced each year since 2018, by the Minister for Finance. This measure was in the form of a tax refund given to all those employees who were working in the Maltese islands, including self-employed, and was based on the income of the individual, in relation to specific income brackets. The refunds were calculated according to the taxpayers' data provided by the Office of the Commissioner for Revenue (CfR). The highest amounts were granted to those with the lowest income levels.

The main scope of this audit was to assess the adequacy of the internal controls in place with respect to the estimation of amounts paid out as refunds in connection with the tax relief measure for the year 2020.

The audit revealed that the respective total expenditure in the Financial Report for 2020 was inadvertently not reported accurately by the Treasury. Moreover, limited checking was carried out when calculating tax refunds that were triggered by complaints from individuals.

Follow-up action

To address the NAO's issue related to the inaccurate reporting of the total expenditure, the MFE modified the SQL reports to capture the cancelled cheques and published the revision with the correct figures in the Annual Financial Report.

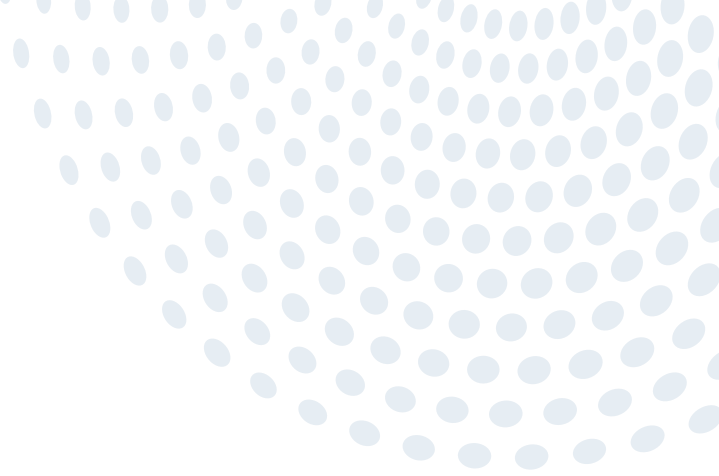
The four-eye principle has been adopted to ensure increased accuracy when calculating tax refunds.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Total expenditure in financial report 2020 not accurately reported</i></p> <p>Treasury is to ensure that the necessary checks are performed before the respective figures are published.</p> <p>Accepted</p>	<p>SQL reports have been modified to capture the cancelled cheques. Therefore, the net figures are being reported.</p> <p>The revision with the correct figures was published in the annual Financial Report.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Limited checking during processing of individual payments</i></p> <p>Controls are to be enhanced to mitigate human error. The four eyes principle is ideally to be applied by the Office of CFR to ensure accuracy of the amounts paid.</p> <p>Accepted</p>	<p>To implement the four-eye principle, two employees have been assigned with the task of checking tax refund cases. One employee is responsible for establishing whether the cheques have been issued and if not, creating the case file. The other employee subsequently checks the case in detail.</p>	<p>Implemented</p>

GENERAL COMMENTS

Documentation requested was always submitted in a timely manner and officers involved during meetings and onsite visits, both at Treasury and the Office of Cfr, were very cooperative and knowledgeable in the respective area of work.

No issues were noted with respect to tax refunds issued through the normal refund procedure.



CUSTOMS

REVENUE

The Department of Customs within the then Ministry for Finance, is entrusted with the control of imports and exports of goods, as well as for the collection of the respective taxes and duties, as mandated through the relevant legislation. It also has a multi-functional border agency role, with specific focus on trade facilitation, alongside security and safety borders controls.

The main scope of the audit was to determine the level of internal controls over the collection of revenue due to Government from import and excise duties, ensuring that this was being maximised.

The audit revealed lack of timely enforcement on amounts outstanding. Furthermore, inaccurate balances were reported in the Arrears of Revenue Return submitted to Treasury.

Follow-up action

Various actions were undertaken by Customs, with a view to address weaknesses and implement recommendations highlighted by the NAO.

The Customs Department opened bank accounts with several local banks and conducted extensive PR measures to facilitate and encourage online payments.

The Department has curtailed the risk of defaulters by amending regulation 45 of the Customs Regulations (SL 37.05) through the Budgetary and other Measures Implementation Act (Act XVIII of 2021). All correspondence with the defaulting trader is being documented.

The Customs Department drawn up and circulated a set of guiding principles to ensure that a particular case cannot be simultaneously reported by more than one Section. The Customs Department set up the Manifest Monitoring Unit with the responsibility to monitor and clear the suspense account and unsettled declarations in the Accounting Module of the Customs Electronic System.

A new unit – the Customs Debt and Guarantees Unit – was set up to address the issue of insufficient guarantees. This Unit is responsible for checking, monitoring, and verifying performance guarantees.

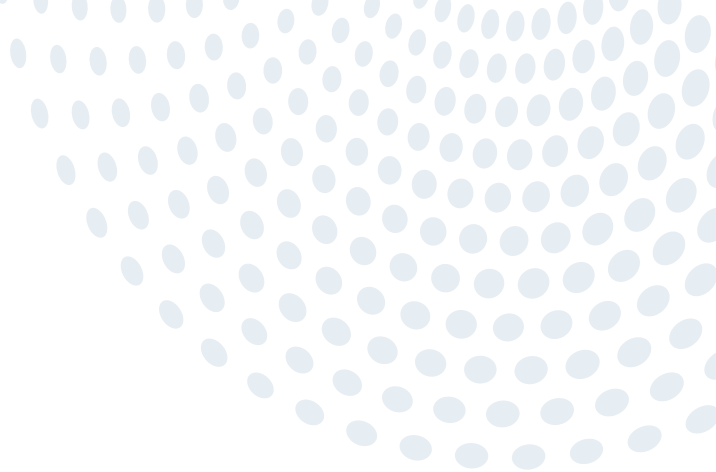
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Amounts due from merchants remaining outstanding</p> <p>Customs is to consider the introduction of online payments to be made instantly before a container is released.</p> <p>Accepted</p>	<p>To facilitate online payment, Customs Department opened bank accounts with several local banks.</p> <p>Invoices issued by the Department are now featuring bank account details which are meant for settlement through internet banking.</p> <p>The Customs Department conducted extensive PR measures through press releases, mail shots, and one-to-one encounters with economic operators to encourage the shift to online payments.</p> <p>The cash office does not accept cash in excess of €5000.</p> <p>The Department closed the Valletta cash office, to discourage and reduce cash payments.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Moreover, enforcement is to be made in line with the new regulation in a timely manner to recoup all amounts outstanding.</p> <p>Accepted</p>	<p>The Customs Department is acting in line with regulation 45A of SL 37.05 Customs Regulations, regarding measures that may be taken if the payment of the service of attendance of a Customs Officer remains unpaid.</p> <p>In the absence of a settlement, a registered letter is issued by Customs, in which the trader is to pay within a stipulated deadline.</p> <p>If the deadline is not respected, the Customs Department is refusing access to the Department's system, for clearance-of-declaration purposes, to defaulting economic operators, by closing the Economic Operator Registration Identification (EORI) number of the respective trader. This is a strong deterrent.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Keeping a record to this effect is also recommended.</p> <p>Accepted</p>	<p>The Customs Department is keeping a record of the systematic reminders issued to defaulting economic operators.</p> <p>The Department is documenting all correspondence with the defaulting trader.</p> <p>The Department takes additional action by chasing settlement by means of telephone calls. Telephone calls are invariably followed up by sending an email to the trader.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Inaccurate estimation of amount considered as not collectable</i></p> <p>An analysis of the amounts in question is to be carried out, establishing the likelihood of collectability.</p> <p>Accepted</p>	<p>The Customs Department is assessing each transaction of the defaulting traders to correctly classify each debt as collectable or uncollectable. This exercise is being carried out annually.</p> <p>Every first quarter of the year, the arrears report of the previous year is sent to the Auditor General and the Treasury.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>A full provision is expected to be taken to cover outstanding balances pertaining to deceased persons, companies which are defunct or have been struck off, companies in liquidation, as well as for those amounts that are time-barred.</p> <p>Accepted</p>	<p>The directorate responsible for the respective debt is evaluating and classifying each revenue arrear.</p>	<p>Ongoing</p>
<p>When all avenues for recoupment are exhausted, Customs is to seek legal advice and discuss the way forward with the Ministry for Finance and Employment (MFE).</p> <p>Accepted</p>	<p>The Customs Department holds discussion with MFE for approval in respect of write-off requests exceeding €2,500 in each case. It is at the discretion of MFE whether to approve or not.</p>	<p>Implemented</p>
<p>A policy detailing a procedure for the structured and controlled clearance of arrears certified as uncollectable is then to be prepared and circulated.</p> <p>Accepted</p>	<p>To sustain the four-eye principle, arrears are classified as uncollectable by the officers of a respective section, and then certified as uncollectable by their director.</p> <p>The Customs Department will draw up an Operating Procedure detailing a step-by-step process for the purpose of clearance of uncollectable arrears.</p>	<p>Implemented</p> <p>October 2022</p>
<p>Accepted</p>	<p>Once the Customs Department has exhausted all efforts and no other remedies remain available, the write-off procedure is applied in terms of regulation 78 of the General Financial Regulations, SL 601.01, in respect of cases up to €2,500, from the Director General (Customs), and, in respect of cases over €2,500 from the Ministry for Finance and Employment.</p> <p>Those arrears classified as uncollectable but not yet approved for write-off by MFE are featured in the annual Arrears of Revenue Return (ARR).</p>	<p>Implemented</p> <p>Implemented</p>
<p>The provision for doubtful debts should be based on the established management policy, in line with international accounting requirements.</p> <p>Accepted</p>	<p>In line with the Operating Procedure which is being drawn up, the Customs Department will assess the cases of the various defaulting traders, with a view to correctly classifying whether the debts actually fall under the category of doubtful debt.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>This provision is to be reviewed periodically in order to assess its adequacy and amended accordingly.</p> <p>Accepted</p>	<p>The provision for doubtful debts is regularly updated in Customs Department's annual ARR.</p>	<p>Implemented</p>
<p>Lack of timely enforcement action</p> <p>Timely enforcement action is to be taken by Management to avoid additional amounts falling in arrears.</p> <p>Accepted</p>	<p>The Department has curtailed the risk of defaulters by amending regulation 45 of the Customs Regulations (SL 37.05) through the Budgetary and other Measures Implementation Act (Act XVIII of 2021).</p> <p>Additional enforcement measures have been introduced through an amendment to the Import Duties Act.</p> <p>The Department enforces all the provisions of the pertinent legislation as part of its efforts to recoup outstanding arrears.</p> <p>When legal action is taken against a defaulter, a fore file is registered with the Department's registry and sent to the Office of the State Advocate.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Inaccurate arrears of revenue return</p> <p>Proper periodic review of arrears of revenue data is to be performed to ensure accurate balances are reported to the Treasury.</p> <p>Accepted</p>	<p>To ensure that the returns submitted to the Treasury represent accurate balances of arrears of revenue, regular reviews are being conducted through a shared folder involving all Sections and Units that are responsible for the collection of revenue from various sources.</p> <p>The Accounts Section are compiling records of all arrears whilst the Finance Unit are checking and certifying the veracity of the statements.</p> <p>All the checks carried out are documented to ensure an adequate audit trail.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>New procedures need to be introduced within the Department, to ensure that a particular case cannot be simultaneously accounted for by more than one section.</p> <p>Accepted</p>	<p>A set of guiding principles has been drawn up and circulated, for the purpose of ensuring that a particular case cannot be simultaneously reported by more than one Section. These principles explain how revenue arrears are recorded and how the annual arrears of revenue returns are compiled.</p> <p>The set of guiding principles will be included in the respective standard operating procedures.</p>	<p>Implemented</p> <p>October 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Clearance of the suspense account not performed</p> <p>Whilst NAO acknowledges the difficulties encountered to complete this exercise, Management is to pursue its plans to resolve the existing impasse.</p> <p>Accepted</p>	<p>A new Unit – the Manifest Monitoring Unit – has been set up with the responsibility to monitor and clear the suspense account and unsettled declarations in the Accounting Module of the Customs Electronic System.</p> <p>Two experienced employees have been deployed with the Manifest Monitoring Unit due to the complexity involved in tasks related to unsettled declarations.</p> <p>Revenue emanating from cleared declarations is regularly being credited in the appropriate revenue source.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>Guarantees not sufficient to cover potential unpaid duty</p> <p>Customs is to continue with the exercise through which long standing guarantees are being revised to reflect the actual financial turnover of applicant traders over a particular year.</p> <p>Accepted</p>	<p>The Customs Department is regularly reviewing and updating old guarantees to reflect the actual financial turnover of the respective trader.</p>	<p>Ongoing</p>
<p>The setting up of the specialised unit should also help in the timely collection of debts thus avoiding amounts due by traders remaining unrecouped.</p> <p>Accepted</p>	<p>The checking and verification of performance guarantees have been centralised. All sections within the Customs Department are sending their respective guarantees to Customs Debt and Guarantees Unit.</p> <p>This Unit is responsible for establishing the reference amount of a comprehensive bank guarantee, and continuously monitoring the reference amount.</p> <p>The procedures of this Unit have been detailed in an SOP. The SOP has been communicated to all staff concerned.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of control over consignments held at the local postal service company</p> <p>The Department is to ensure that the benefits derived from the new integrated system are being delivered to the full and the necessary checks and monitoring are performed.</p> <p>Accepted</p>	<p>The Customs Department has extended its office hours and now operates from 07:00 till 22:00.</p> <p>The Customs Department has introduced the concept of system-to-system for low-value goods. This measure captures imports with an intrinsic value below €150.</p> <p>In addition, all goods are being reported electronically to Customs via the National Import System (NIS), eliminating manual processing.</p> <p>The new safety and security regulations (ICS2), including a declaration of the Movement Reference Number (MRN), have become mandatory for all countries. Consequently, the consignment data and content information, required for export and import, are entered electronically by the sender of all third countries and sent to the country of destination (Malta) in advance.</p> <p>The Department is performing audits to confirm that all parcels have indeed been declared to Customs, and placed under a Customs procedure.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>No internal audit within the department</p> <p>The Chairman of the Internal Audit Board (IAB) is expected to be independent from the Management.</p> <p>Accepted</p>	<p>The Customs Department will be setting up a new IAB to be composed of a Chairperson and members who are all independent from management. This Board will report its findings to the Director General (Customs) and to the Management Board.</p>	<p>October 2022</p>
<p>It is also recommended that Customs considers the setting up of an internal audit section to help protect assets under its possession and reduce the possibility of fraud, improve efficiency in operations, increase financial reliability and integrity, ensure compliance with laws and statutory regulations, as well as to establish monitoring procedures.</p> <p>Partially accepted</p>	<p>The Customs Department believes that a well-established and efficiently functioning IAB, as differently set up from the current composition, is sufficient to address the recommendation of the NAO. This consideration is based on the fact that the Customs Department has a fully-fledged Verification and Audit Section for the purpose of post-clearance auditing of traders' declarations.</p> <p>Management meetings are held regularly under the chairmanship of the Director General (Customs), in order to carry out improvements in the operations of the Department.</p> <p>The IAB will carry out periodic internal risk assessments of the various operational procedures practised in the sections and units within the Customs Department.</p> <p>As one of its tasks, the IAB will review the SOPs of the selected sections and units for better efficiency, effectiveness, and value for money.</p>	<p>Ongoing</p> <p>October 2022</p> <p>October 2022</p>



MALTA STOCK EXCHANGE REVENUE

The Malta Stock Exchange (MSE) is a public limited company run on a commercial basis, with full shareholding ownership by the Government of Malta. The Exchange aims to facilitate capital formation in the public and private sector by developing and operating a liquid, efficient, and fair securities market for the ultimate benefit of issuer and investors, whilst adding value to its shareholder.

The main scope of the audit was to determine the level of existing controls over the collection of revenue from listing and register fees, ensuring that amounts collected are correctly recorded and processed by MSE, as well as that the amendments to the Central Securities Depository (CSD) are properly recorded.

The audit revealed that the procedures and internal controls in relation to the areas tested at the MSE were found to be adequate and in sound operation. Standard operating procedures, covering the processes

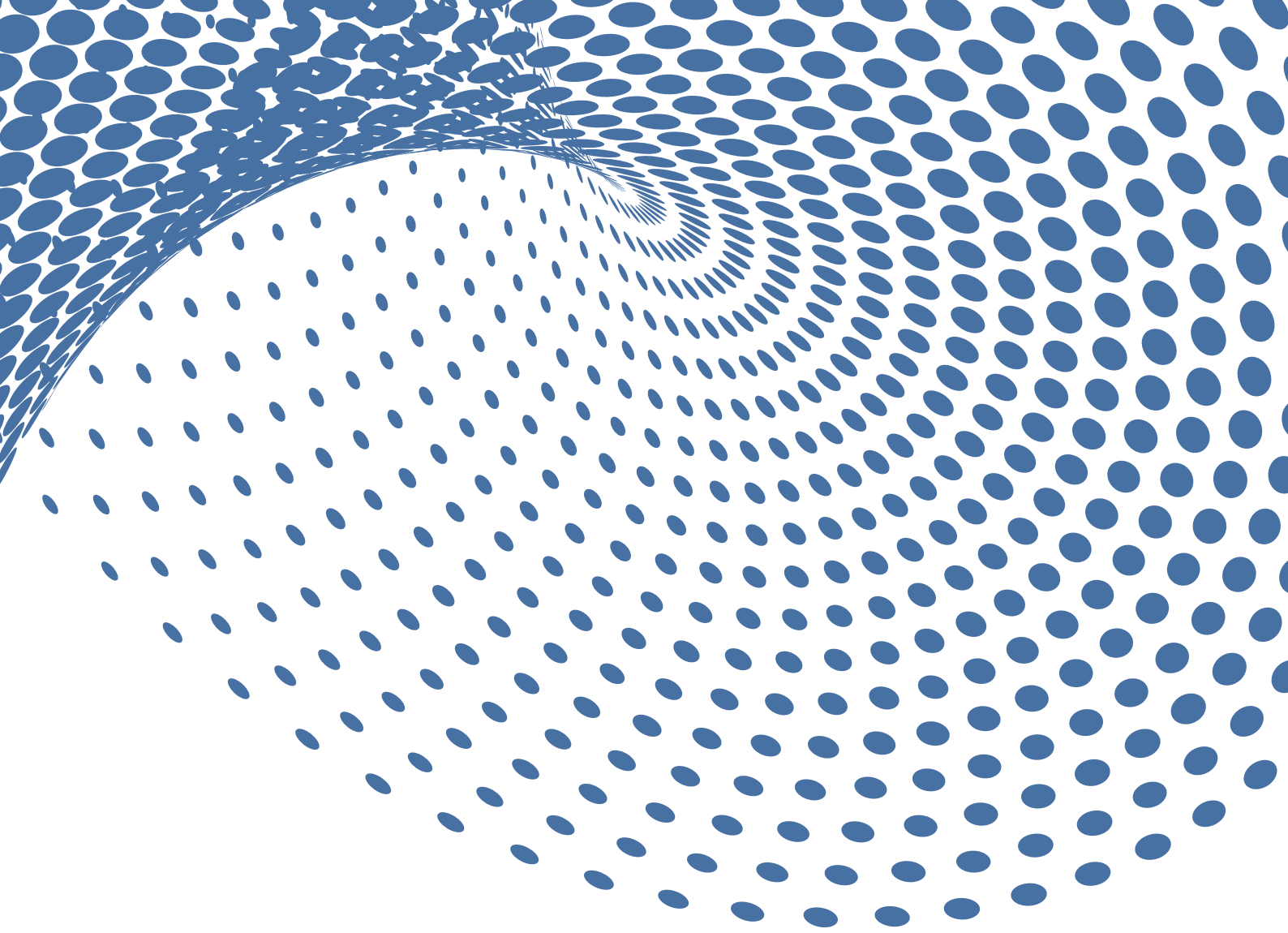
with the Exchange, were in place. No internal control weaknesses or other concerns were noted during the testing that was carried out.

Follow-up action

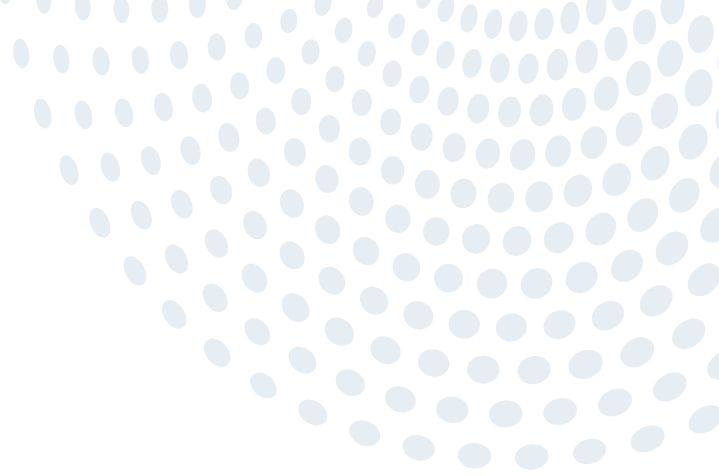
Given the good practice adopted by the MSE, no follow-up action was required.

Documentation requested was always submitted in a timely manner and officers involved during this audit assignment were very cooperative and knowledgeable on the respective area of work. The NAO satisfactorily noted that detailed standard operating procedures, covering the processes within the Exchange, were in place.

No internal weaknesses or other concerns were noted during the testing carried out.



MINISTRY FOR
TOURISM



MINISTRY FOR TOURISM

EXPENDITURE

The Ministry for Tourism (MFT) is responsible for establishing and executing a tourism policy, based on the principles of sustainable tourism development, that not only supports economic growth but also respects the heritage and environment of the Maltese islands. Hence, MFT plays a crucial role in formulating, implementing, and reviewing tourism policies in collaboration with key stakeholders, as well as in promoting the country as an international tourism destination of choice.

The main purpose of the audit was to determine the level of internal controls over expenditure incurred on contractual and professional services. Other audit objectives were to assess:

- that public funds were utilised in a cost-effective manner;
- the reliability and adequacy of information available for decision-making purposes, ensuring that expenditure is accurately posted; and
- accountability and compliance with standing laws, regulations, policies and procedures.

The audit revealed that, amongst other issues, the Public Procurement Regulations (PPR) were not always followed. Several amounts of expenditure in the nominal ledger were also misallocated, thus rendering the respective data unreliable.

Follow-up action

MFT is determined to adhere to the PPR when acquiring goods and services and ensures that direct orders are resorted to in line with the pertinent regulations. In this regard, the management has drawn up an SOP for daily corporate procurement and ensures compliance by all officers concerned. Furthermore, to ensure that the correct line is being charged, the management is carrying out random checks on payments effected under selected line votes. Where funds are not available in the respective nominal account, the management is ensuring that the correct financial procedure of creating a virement is being followed.

The MFT has also strengthened its internal controls by applying the four eyes principle and segregation of duties in its operations. MFT is invariably retaining adequate audit trails.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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LIMITATION ON SCOPE OF AUDIT

Prior to the reshuffling of Ministerial portfolios in January 2020, the Bureau of Air Accident Investigation was under the remit of MOT but was subsequently reallocated under the Ministry for Transport, Infrastructure and Capital Projects (MTIP). However, for 2020, the financial allocation provided to the Bureau was still incorporated under MOT's vote, thus the respective payments for expenditure were effected by the latter. However, a copy of the sampled invoices related to the Bureau of Air Accident Investigation and reply to audit queries were not provided by the Ministry concerned for verification purposes.

As from January 2020, the Bureau of Air Accident Investigation was reallocated under MTIP, and even though the financial allocation provided for the Bureau was still incorporated under the MOT's vote and the expenditure was effected by the latter, the certification and verification of invoices were done by MTIP. MOT did not have access to the invoices concerning the Bureau of Air Accident.

Not accepted

Disclaimer

During the audit process a substantial amount of misallocations were encountered. MFT confirmed that unless funds were available in the respective nominal account, an invoice could not be posted. Thus, since the transfer of funds between accounts in CFMS could only be executed by the Treasury, the Ministry was bypassing this feature to hasten the process by posting expenses in accounts where funds were available, irrespective of the nature of expenditure incurred. Hence, it could not be ascertained that the audited population was complete, since related expenditure could have been posted to other line items which were not under review.

The management is ensuring that where funds are not available in the respective nominal account, it is adhering to the pertinent financial procedure of creating a virement between line items after obtaining the necessary financial approvals.

Ongoing

Effective and regular monitoring of the balances available is being carried out so that any creation of virements is done in a timely manner and the necessary financial approvals are obtained in due time.

Ongoing

Accepted

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p><i>Non-adherence to public procurement regulations</i></p> <p>Management is to invariably acquire goods and services following a competitive procurement procedure in line with the applicable regulations, thus ascertaining transparency and fairness in the selection process.</p> <p>Accepted</p>	<p>The MFT is ensuring adherence to the Public Procurement Regulations (PPR) when acquiring goods and services. This includes ensuring adherence to the thresholds as outlined in the same regulations.</p> <p>The MFT ensures that direct orders are resorted to only if an appropriate justification is in place and after obtaining the necessary approvals, in line with the pertinent regulations.</p> <p>The management has drawn up an SOP for daily corporate procurement, such as stationery, cleaning, maintenance, and hospitality, detailing the updated procedures to ensure that the PPR are adhered to. The SOP has been communicated to all staff concerned.</p> <p>The management is ensuring compliance</p> <p>The Ministry obtained legal advice regarding the interpretation of regulation 7 of the PPR. The Ministry will adhere to this legal advice and regulation 7 will be applied only in instances where:</p> <ol style="list-style-type: none"> A particular type of lawyer is required in view of his/her specialization or the complexity of the case. Cases which require a higher degree of confidentiality and cannot be disclosed publicly; Legal services for a specific case. 	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>Furthermore, the engagement of the successful bidder is to be duly backed by an agreement, signed by the parties involved and supported by bank guarantees, where applicable, reflecting the actual contract value. Both the conditions of service and the duration of the agreement are to be clearly spelled out.</p> <p>Accepted</p>	<p>The management is ensuring that the engagement of successful bidders is duly backed by an agreement, signed by all parties involved and supported by bank guarantees in accordance with the PPR.</p> <p>All pertinent documentation is being filed to ensure an adequate audit trail.</p> <p>The management is ensuring that agreements which are due to expire are being monitored regularly and that action for the issue of new tenders is initiated in advance to allow adequate time for tenders to be awarded.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Misallocation of transactions</i></p> <p>Unless transactions are charged to the proper account, it would be very difficult to exercise control and determine the total cost of the respective expenses. In addition, this will increase the risk of distorted and misleading financial information.</p> <p>Accepted</p>	<p>The management is ensuring that the correct line vote is being charged. After each quarter, the management is carrying out random checks on payments effected under selected line votes to ensure compliance. Any divergences are brought to the attention of the Accounts Department.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Hence the Ministry is encouraged to liaise with the Treasury for the necessary transfer in order to ascertain that sufficient funds are available under the related nominal account enabling proper recording thereof.</p> <p>Accepted</p>	<p>The management is ensuring that where funds are not available in the respective nominal account, the pertinent financial procedure of creating a virement between line items is followed, after obtaining the necessary financial approvals.</p> <p>Effective and regular monitoring of the balances available is being carried out, so that any creation of virements is done in a timely manner and the necessary financial approvals are obtained in due time.</p>	<p>Ongoing</p> <p>Ongoing</p>

CONTROL ISSUES

<p>Services not covered by a valid agreement</p> <p><i>Cleaning services, photography and filming services</i></p> <p>The amount required for goods and services is to be determined at an early stage, allowing enough time to follow the appropriate procurement procedures for the sake of transparency and fairness.</p> <p>Accepted</p>	<p>The management is ensuring that agreements that are due to expire are monitored regularly and that action for the issue of new tenders is initiated in advance to allow adequate time for tenders to be awarded.</p>	<p>Ongoing</p>
<p>Moreover, a valid agreement, formalising the terms and conditions binding the contracting parties is to be in place.</p> <p>Accepted</p>	<p>The Ministry is ensuring that a valid agreement, formalising the terms and conditions binding the contracting parties is in place. This is ensured by double checking that all relevant documentation, including a contract agreement signed by all parties, is in place before a payment is carried out.</p>	<p>Ongoing</p>
<p>Shortcomings in the procurement of receptionist services</p> <p>Management is to ensure that internal controls are operating effectively and are not being bypassed. This can only be achieved if the relevant regulations and guidelines are invariably complied with.</p> <p>Accepted</p>	<p>The Ministry has set up adequate internal controls that include the segregation of duties and the four eyes principle.</p> <p>Whilst the Operations Directorate is responsible for procurement and contract management, the Corporate Services Directorate is responsible for the processing of payments related to that procurement. Such a system enables internal controls to be carried out more effectively by different directorates.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Documentation not filed for future reference</p> <p>For the sake of transparency, as well as to ensure completeness and audit trail, decisions reached are to be made in writing, and filed in an organised and systematic manner for future reference.</p> <p>Accepted</p>	<p>The Ministry is ensuring that adequate audit trails are retained by regularly updating its files with all the pertinent documentation. This documentation is cross-referenced for added control. Relevant documentation, such as contract agreements, is also uploaded on the Ministry's database in soft copy.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Anomalies in connection with alleged cases of injustice by Air Malta employees</p> <p>The Ministry is to ensure that reviews carried out by specific Boards do not go beyond the scope for which the foregoing are established as this could lead to discrimination against alleged victims not falling within the established timeframe.</p> <p>Accepted</p>	<p>The Ministry will ensure that appointed boards do not go beyond the scope of their terms of reference. All autonomous and independent decisions taken by boards are being acted upon after ensuring that the terms and conditions governing the board have been respected.</p>	<p>Ongoing</p>
<p>Entities falling under the Ministry's portfolio are expected to have the necessary controls in place to fulfil their commitments in a timely manner. The Ministry is not expected to be held liable for any defaults committed by other entities.</p> <p>Accepted</p>	<p>An effective communication channel between the Ministry and entities falling within its remit is considered essential. Whilst the Ministry is not expected to be held liable for any defaults committed by entities, it nonetheless ensures that any applicable SOPs drafted for the Ministry are also communicated to the entities in question, encouraging such entities to adopt best practice procedures.</p>	<p>Ongoing</p>
<p>Deferment of payments</p> <p>Claims spilling over from one year to the next are to be kept at the absolute minimum, limited to those which are unavoidable.</p> <p>Accepted</p>	<p>The Ministry is ensuring that, whenever possible, claims spilling from one year to the next are kept to a minimum. In the last quarter of the year, the Ministry actively chases service providers to ensure that invoices for goods/services which have already been provided are sent to the Ministry so that such expenses are paid by the end of the year.</p>	<p>Ongoing</p>
<p>Furthermore, the Ministry is to ensure that no commitments are entered into before it ascertains that sufficient funds are available.</p> <p>Accepted</p>	<p>In the case of tenders, the Ministry has to prepare a Funds Commitment Form and send it to the Sectoral Procurement Directorate together with all documentation, confirming that funds are available. For purchases of a lesser value, the Ministry is monitoring budget votes regularly so that any virements necessary are requested on time.</p>	<p>Ongoing</p>



REGENERATION WORKS

CAPITAL EXPENDITURE

In 2018, a line item within the capital vote of the Ministry for Tourism (MOT) was created with the intention to financially help regenerate touristic areas. The Ministry also planned to focus part of the funds for projects in those areas which were considered non-touristic with the aim to encourage tourists to visit the respective zones.

The purpose of the audit was to verify that public procurement procedures were adhered to when incurring capital expenditure. It was also important to ascertain that the amount spent on such projects was within the budget allocated by the Ministry for Finance (MFIN).

The audit revealed no project ownership. There were also issues relating to underestimated project budgets, unauthorised variations and the absence of an agreement with the Environmental Landscapes Consortium Limited.

Follow-up action

MFT is ensuring that ownership of a project is established at an early stage with an agreement in place, clearly defining the responsibilities with

regard to the maintenance of the project after its completion.

To avoid a shortfall of funds to cover expenditure related to a particular project, an estimate is being drawn up for each project. In the eventuality that additional funding is required to complete the project, the management is ensuring to obtain the required approvals from MFE for the virement of funds. In cases where a variation to the original contract is indispensable, it is being ensured that the standard procedure in line with the PPR is followed. Moreover, all tenders published by MFT must include a justification a priori, stating those circumstances where variations to the contract can be effected.

MFT is also demanding that a formal agreement is in place before the initiation of contracted services in accordance with the PPR. Furthermore, no payments are being effected unless a valid contract, signed by all parties, is in place and before every invoice has been certified correct and according to the provisions of the pertinent contract. All contracts are being filed and retained in their respective file for future reference.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Lack of project ownership</p> <p>The ownership of the projects should be established from the initial stages so that the respective entity will assume responsibility. NAO acknowledges that FTZD falls under the remit of the Ministry; however, it is an entirely different entity.</p> <p>Accepted</p>	<p>The Ministry for Tourism (MFT) is ensuring that ownership of the projects is established at an early stage and that responsibilities are clearly defined by drawing up pertinent agreements, placing ownership on a particular entity to maintain the project after its completion.</p> <p>In order to alleviate the financial burden such projects can have on the respective local council, MFT introduced provisions with the project plans to allow for revenue generation. For this reason, the transfer of ownership to an entity is being linked to revenue generated from the respective project.</p>	<p>Ongoing</p>
<p>Shortfall to cover expenditure related to the project</p> <p>Unless the budget relating to capital projects is adequately prepared and caters for any contingencies, the problem of insufficient funding could result in unfinished assignments or postponement thereof.</p> <p>Accepted</p>	<p>Budgets relating to capital projects are based on estimates given by experts.</p> <p>An estimate is drawn up for each project. The management obtains the necessary approvals from the Ministry for Finance and Employment for the virement of funds, whenever additional funding is required to complete a project, depending on fluctuations in market prices and the value of the services/ supplies/works being procured.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Underestimated budgets</p> <p>Changes made to the various projects must be justified, duly documented and approved by the appropriate level from the contracting authority.</p> <p>Moreover, continual changes to the project will render the respective estimates as irrelevant.</p> <p>Accepted</p>	<p>With regard to variations, MFT ensures that the standard procedure in line with the PPR is followed. Variations to contracts are being justified, duly documented and approved by the Permanent Secretary on the basis of Bills of Quantity (BoQs) duly certified by the architect concerned.</p> <p>A standard operating procedure (SOP) for the payment of invoices has been drawn up, approved and communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Works by Environmental Landscapes Consortium Limited</p> <p>All services obtained should be backed up by a formal agreement endorsed by the contracting parties, clearly laying down the terms and conditions and respective costs agreed upon.</p> <p>Accepted</p>	<p>MFT is ensuring that a formal agreement is in place for contracted services in accordance with the PPR.</p> <p>No payments are effected without a valid contract signed by all parties.</p> <p>MFT is ensuring that prior to effecting payments, amounts are certified correct in line with the provisions of the contract.</p> <p>In the case referred to by the NAO (Ġnien Duminku Mintoff), Malta Embellishment and Landscaping Projects (MELP) had a framework agreement in place with the Environmental Landscapes Consortium (ELC). MFT formally requested MELP to make use of the afore-mentioned framework agreement to carry out works at the garden.</p> <p>Prior to certifying any invoices for payment, MFT ensures that works carried out are certified by the architect in charge of the project against the rates approved by MELP. The payment is subsequently endorsed by a senior official at MFT and the Permanent Secretary.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>These are to be filed accordingly.</p> <p>Accepted</p>	<p>The authority is ensuring that all signed agreements are filed and retained in the respective project's file. A digital copy is also retained at the Ministry as a back up.</p> <p>In the case highlighted by the NAO, the agreement was in the form of correspondence exchanged between the Head at MELP and the Permanent Secretary (MFT). The related correspondence was regarded as the main point of reference prior to processing any invoices for payment.</p>	<p>Ongoing</p>
<p>Any additional works are to be duly justified, documented and formally approved by the paying entity prior to the implementation.</p> <p>Every effort is to be made to keep variations to the barest minimum.</p> <p>Accepted</p>	<p>The management ensures that published tenders by the Ministry include a justification, a priori, stating those instances where variations to the contract can be utilised.</p> <p>Payments are made on the basis of the architect's certification.</p> <p>Prior to processing any invoices for payment, the Ministry ensures that the works carried out are certified by the architect in charge of the project. The amounts claimed are certified correct in line with the provisions of the contract, and that the amounts listed in the invoice reflect the amounts certified by the architect in charge.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Procurement by direct order</p> <p>Non-compliance with procurement regulations results in unfair competition between other potential service providers. Thus, as also spelled out in MFIN Circular No. 3/2013 – ‘Public Procurement Regulations – Direct Orders’, procurement direct from the open market should be limited to the barest minimum.</p> <p>Partially accepted</p>	<p>Regarding the case identified by NAO, all requests for direct orders and negotiated procedures were directed towards the proper channels and approvals were obtained from MFE. Justifications were provided in line with the PPR.</p> <p>MFT resorts to direct orders only when no other option is available.</p> <p>When resorting to direct orders, the management ensures adherence to the PPR guidance notes and procedures. A request for a direct order is invariably accompanied with the respective justification. All necessary approvals are acquired through the respective channels.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>NAO acknowledges the fact that the engaged architects for both projects had the necessary experience; however, in the circumstances, the Ministry was still expected to issue a call for tenders for both cases. This would have given the possibility of obtaining a better price and maybe an opportunity for enhanced designs. Determining whether the price quoted is fair and reasonable would have only been possible after the Ministry conducted a fair procurement process.</p> <p>Accepted</p>	<p>Approval for direct orders is invariably obtained prior to commitment and after submitting justified reasons for such action.</p> <p>In the case highlighted by the NAO, the Ministry had considered suppliers who were technically and financially compliant with the Ministry’s requirements.</p> <p>MFT has reached an agreement with the Ministry for Public Works and Planning (MPWP) so that the latter can offer professional services to MFT upon request, whenever resources are available.</p> <p>A MOU with Projects Plus Ltd. has been finalised in order to avoid giving direct orders for professional services and skilled labourers which might be required in future projects.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>Furthermore, given the size of the Ministry and the number of projects involved, MFT is to assess whether having an in-house architect would be a more cost-effective option. An architect employed by the Ministry would have better insight of the respective projects’ requirements and is likely to be less costly than having to engage an architect for every job.</p> <p>Accepted</p>	<p>The recently established Regeneration Foundation (ex FTZD) is in the process of carrying out an analysis of expertise required on which basis HR plans will be drawn up. A vacancy for an in-house architect was included in FTZD’s HR plan.</p>	<p>June 2023</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Management is also to ensure that the evaluation committee is made up of technical members. This would avoid delays, as well as additional costs.</p> <p>Accepted</p>	<p>The management abides by the guidelines for Evaluation Committees issued by the Department of Contracts (DoC) and ensures that the members of the committee have the facility to request the assistance of a technical expert when required.</p> <p>The composition of the Evaluation Committee is included with each tender.</p>	<p>Ongoing</p> <p>Ongoing</p>
<hr/>		
<p>Performance guarantee not requested</p> <p>Performance guarantees are meant to ensure that the contractor fulfils his obligations in terms of the contract. Thus, it should be invariably obtained prior to the commencement of the respective works.</p> <p>Accepted</p>	<p>The management is ensuring that the requirement for performance guarantees is included in all tender documents.</p> <p>The required performance guarantee is being requested prior to the commencement of works.</p>	<p>Ongoing</p> <p>Ongoing</p>
<hr/>		
COMPLIANCE ISSUES		
<p>Procurement not published in Government Gazette</p> <p>Every six months, contracting authorities should publish, in the Government Gazette, a list of all procurement awarded whose value exceeds €5,000 (VAT excl.).</p> <p>Accepted</p>	<p>The management is ensuring that all procurement with a value exceeding €5,000 is published in the Government Gazette every six months.</p> <p>The direct order referred to by the NAO was not published in the Government Gazette at the time of audit due to the fact that it had not yet been concluded.</p>	<p>Ongoing</p>
<hr/>		
<p>Defaulting suppliers not reported to the Commissioner for Revenue</p> <p>The Ministry should make sure that suppliers not submitting fiscal receipts are reported in the respective return to the Commissioner for Revenue.</p> <p>Accepted</p>	<p>At the end of every quarter, the Corporate Services Directorate checks the payments made throughout the previous three months against the VAT receipts received for the respective payments. Any defaulting suppliers are subsequently contacted to regularise their position. The list of defaulting suppliers, including a nil return, is submitted to the CfR on a quarterly basis.</p>	<p>Ongoing</p>



MALTA FILM COMMISSION

EXPENDITURE

The principal activity of the Malta Film Commission (MFC) is to market the island in the international industry as a film location and to facilitate the work of productions shooting in Malta. In this respect, in 2018, MFC implemented a strong outreach programme, targeting key and new markets for Malta, which campaign was also maintained in 2019, when it launched the updated cash rebate programme. The rebates for filmmakers increased from 27% to 40%, making Malta more attractive to the film industry. Since 2016, MFC has also held the management of the Malta Film Studios (MFS) facilities, including the water tank in Kalkara.

The main purpose of the audit was to evaluate the adequacy and effectiveness of internal controls, specifically on travel, and verify whether standing regulations were followed.

The audit revealed a lack of effective internal controls at the Malta Film Commission as there was no independent oversight. This contributed to a disregard to budgetary controls and standing regulations, as well as extravagance in the use of public funds, which in turn translated into a negative working capital of over €1 million in 2020. The upkeep of records was also inadequate, hindering effective audit trail and analysis.

Follow-up action

The MFC will be publishing an open call for tenders to perform an extensive review of its internal operations

and controls whilst discussions are ongoing with the pertinent authorities to address the acute shortage of human resources. Training of staff and new recruits will be provided in various areas, mainly in procurement, good governance, accountability, travel regulations, and project management.

Based on the outcome of the exercise related to the review of its operations, MFC will subsequently proceed with the drawing up of SOPs detailing all its procedures, as well as the drawing up of a risk register for all its operations.

To address the issue regarding the upkeep of records, the management is ensuring that accurate information is submitted in a timely manner. All business decisions taken, justifications and approvals are being documented and filed to ensure an adequate audit trail. Additionally, new software is in place to ensure that records of transactions are being retained for safekeeping.

MFC has also reviewed its travel and hospitality procedures to be, as far as possible, in line with the applicable regulations. However, considering the particular environment in which the Commission operates, discussions are ongoing with the pertinent authorities to agree on custom travel procedures and controls which are more suited to MFC's work exigencies.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Weak control environment</p>	<p>An open call for tenders to perform an extensive review of MFC's internal controls and operations will be published this year. It is envisaged that the exercise will be concluded in the first quarter of 2023.</p>	<p>March 2023</p>
<p>Action is to be taken to enhance controls, in order to ensure that the processes are carried out in an efficient manner, in line with standing regulations and general good practice.</p>		
<p>Accepted</p>		
	<p>The operational review will include an HR structure and the drawing up of an HR plan, after holding discussions with the pertinent authorities.</p>	<p>December 2022</p>
	<p>MFC regularly revisits its HR plan to address its immediate staff requirements. Discussions on the current HR plan are held on a regular basis with the pertinent authorities.</p>	<p>Ongoing</p>
	<p>A training needs analysis together with a training plan targeting all processes is being drawn up based on the new agreed HR Plan.</p>	<p>October 2022</p>
	<p>All MFC employees will be provided with training on all processes, in accordance with the training plan.</p>	
	<p>New recruits will be directed to attend IPS training in the following areas:</p> <ul style="list-style-type: none"> • Core Induction Programme for all external recruits; • Continuous Development Award in Public Procurement Regulations; • Accountability and good governance; • Project Management and Implementation Skills; and • Travel regulations and procedures. 	<p>Ongoing</p>
	<p>SOPs, detailing all procedures, will be drawn up based on the exercise related to the review of MFC operations.</p>	<p>March 2023</p>
	<p>Once the restructuring exercise is concluded, MFC will draw up a risk register for all its operations, including travel.</p>	<p>March 2023</p>
	<p>The MFC will use the Government Corporate Travel Management System (CTMS) to enhance the controls related to travel procedures.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Negative working capital</p> <p>MFC is to urgently review its working capital management as this can have serious repercussions on the going concern of MFC, also affecting its credibility once it is not in a position to settle outstanding debts.</p> <p>Accepted</p>	<p>The MFC has engaged the services of an accountant.</p> <p>The MFC is reviewing the management of its working capital with the assistance of the newly engaged accountant.</p> <p>Management accounts are being drawn up on a monthly basis for better budget monitoring. These are then forwarded to the Commissioner (MFC), who, in turn, has to provide a copy of MFC's management accounts to the Ministry on a monthly basis.</p> <p>A procurement plan is being drawn up annually, in advance. The plan is monitored regularly and acted upon, as required.</p> <p>Through the restructuring exercise, followed by the drafting of SOPs, MFC will have adequate resources and a procurement procedure in place, enabling MFC to monitor the budget and ensure that financial, operational, and capital expenditure plans are drawn up according to best practices and are under control within the approved set budget.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>March 2023</p>
<p>Budget overrun on travel</p> <p>Records, forming the basis of strategic decisions, are to be accurate, ensuring reliable information is provided therein, enabling sound business decisions.</p> <p>Accepted</p>	<p>The MFC management is ensuring that accurate information and documentation is obtained in a timely manner. These are being filed to ensure adequate audit trail of all business decisions taken.</p>	<p>Ongoing</p>
<p>Any adverse variances are to be supported by written justifications.</p> <p>Accepted</p>	<p>The MFC management is ensuring that any adverse variances are supported by written justifications and approved by the right level of authority.</p> <p>The MFC management is monitoring travel-related budgets on a regular basis to avoid variances as much as possible.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>No independent monitoring over travel and hospitality expenditure</p> <p>Checks and balances are to be put in place at the earliest, supported by a clear chain of command, ensuring that no individual has unfettered power.</p> <p>Accepted</p>	<p>MFC has put in place procedures related to travel and hospitality to ensure that the required checks and balances are in place.</p> <p>Travel requests by the Commissioner and other officials are included in advance in the agenda of the Commission's meetings for approval or otherwise.</p> <p>Meetings minutes are communicated to all members, approved, and filed for adequate audit trail.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Good practice requires that such expenditure is approved by a higher level of authority. Hence, it is recommended that any travel undertaken by the Film Commissioner is approved in advance by the Permanent Secretary, while all other travel is approved by the Film Commissioner.</p> <p>Accepted</p>	<p>The travel of the Commissioner is being approved by the Chairperson on behalf of the Commission.</p> <p>Where travelling is done both by the Commissioner and the Chairperson of the Board, the approval of the Permanent Secretary is sought.</p>	<p>Implemented</p>
<p>The procedures stipulated in the Manual on Transport and Travel Policies and Procedures are also to be invariably observed.</p> <p>Accepted</p>	<p>Considering the particular environment in which MFC operates, discussions are ongoing between the Ministry for Tourism (MFT) together with MFC, and the MFE to enhance the travel procedures and controls vis-à-vis MFC's work exigencies.</p> <p>SOPs detailing the procedure adopted by MFC will be drawn up once discussions with MFE are concluded, and procedures established.</p> <p>In the interim, the management issued a memo to its staff to ensure compliance with the standing travel regulations.</p> <p>MFC's travel is being processed through the CTMS.</p>	<p>Ongoing</p> <p>January 2023</p> <p>Implemented</p> <p>Implemented</p>

CONTROL ISSUES

<p><i>Extravagant expenditure on travel</i></p> <p>While acknowledging that image plays a big part in the film industry, expenditure from public funds should still be carried out judiciously, according to the resources available and in line with prior approvals as per standing provisions.</p> <p>Accepted</p>	<p>MFC is ensuring that prior approvals are sought for any divergences from the standing regulations in line with the pertinent manual.</p> <p>MFC is ensuring that all documentation related to meals, including attendees and purpose of the meals, is being retained and filed accordingly.</p> <p>Considering the particular environment in which MFC operates, discussions are ongoing between MFT, MFC and MFE to discuss pertinent travel and hospitality procedures.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>MFC's Management is to be guided by the principles of the Code of Ethics and ensure that resources are used in an efficient and economical manner.</p> <p>Accepted</p>	<p>MFC officials are committed to follow the principles of the Code of Ethics and ensure that resources are used efficiently.</p> <p>The finance team is monitoring expenditure, and extraordinary or non-compliant transactions are being brought to the attention of the Commission.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Per Diem Allowance not given in line with standing regulations</i></p> <p>A comprehensive exercise is to be carried out by MFC, covering all travel undertaken between 2018 and 2021, in order to identify subsistence allowance overpaid and recoup those amounts from the respective officers.</p> <p>Accepted</p>	<p>The MFT is to publish a tender for auditing services to carry out a review of the travel undertaken between 2018 and 2021.</p> <p>By the second quarter of 2023, the contractor will conclude the exercise to identify overpayments, if any.</p> <p>In cases where no reasonable justification, in line with the travel manual and hospitality guidelines, are found, any identified overpayments in respect of per diem allowance will be recouped.</p>	<p>December 2022</p> <p>June 2023</p>
<p><i>Inadequate recording of transactions and upkeep of physical records</i></p> <p>Transactions are to be recorded according to the nature of expense, supported by documentation. In addition to promoting transparency, it provides more meaningful information.</p> <p>Accepted</p>	<p>The management is ensuring that the Accounts Section records transactions according to the nature of expense.</p> <p>A new software is in place to ensure that records of transactions are being retained in a cloud-based system for safekeeping.</p> <p>A hard copy is also being retained to enhance transparency and audit trail.</p> <p>An SOP was drawn up detailing the procedure for the filing of documents and methods of record-keeping.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Moreover, all receipts related to restaurants are to clearly indicate the beneficiaries, and whether they constitute hospitality.</p> <p>Accepted</p>	<p>MFC is ensuring that all receipts related to restaurants indicate the beneficiaries and whether they constitute hospitality.</p> <p>MFC is ensuring that all expenditure paid by card is supported with receipts.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>Officers making use of publicly funded transport are also to be indicated on the receipts.</p> <p>Accepted</p>	<p>MFC is ensuring that receipts related to public-funded transport indicate the officers who utilised such transport.</p>	<p>Implemented</p>
<p><i>Credit card facility not in line with standing provisions</i></p> <p>MFC is to be guided by the provisions of MFE Circular No. 3/2020 – ‘Debit Cards and Credit Cards’. In order to regularise matters, approval for the use of the card is to be sought from the Ministry for Finance without undue delay.</p> <p>Accepted</p>	<p>MFC is in the process to obtain the approval of MFE with regard to the use of the debit card facility according to the provisions of MFE Circulars 3/2020 and 2/2022.</p>	<p>October 2022</p>
<p>It is also to be ensured that use of the card is limited to the provisions of the respective authorisation letter.</p> <p>Accepted</p>	<p>MFC is ensuring that the use of the card is limited to the provisions of the respective authorisation letter.</p> <p>The use of the card is being monitored by the finance team and any extraordinary or non-compliant transactions are being brought to the attention of the Commission for any action it may deem necessary.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Inadequate planning for travelling</i></p> <p>Quotations are to be sought at the earliest so that bookings are made in advance, thus obtaining the best prices in line with standing provisions.</p> <p>Accepted</p>	<p>MFC issued a memo outlining the procedure adopted for travel where quotations must be sought as soon as travel dates are confirmed.</p> <p>The memo has been communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p> <p>MFC is also ensuring that in cases where ad hoc travel is necessary, justifications are documented and the required approvals are obtained in advance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

COMPLIANCE ISSUE		
<p><i>Statutory obligations not observed</i></p> <p>Statutory obligations are to be invariably observed. In this respect MFC is to finalise its accounts at the earliest and appoint the auditors in a timely manner, to finalise the audit within the stipulated timeframe.</p> <p>Accepted</p>	<p>MFC commissioned an audit of its accounts so as to present its audited financial statements for 2020 and 2021.</p>	<p>Implemented</p>

CLEANSING AND MAINTENANCE DIVISION

PERSONAL EMOLUMENTS

(reported by NAO under the Ministry for Justice, Culture and Local Government)

The Cleansing and Maintenance Division (CMD) provides services to central and local government. Its aim is to keep urban and non-urban areas free from litter and illegally dumped waste, thus enhancing the environment. Services to third parties are also rendered upon request. The division is composed of the following units:

- Beach Cleansing;
- Cleansing of Arterial Roads;
- Cleansing of Public Areas and Open Spaces;
- Cleansing of Public Conveniences (Central Government premises only);
- Maintenance of Rainwater Systems;
- Upkeep and Maintenance.

Previously, CMD was included with the portfolio of the Ministry for Justice, Equality and Governance. However, as from 15 January 2020, following a Cabinet reshuffle, the division fell under the remit of the Ministry for Tourism and Consumer Protection.

The purpose of the audit was to assess the adequacy and effectiveness of internal controls over expenditure incurred on allowances and overtime during 2020, as well as to establish whether government resources were used prudently and in a judicious manner. The National Audit Office (NAO) also assessed whether the administrative procedures adopted were in compliance with the Public Service Management Code, the applicable collective agreement, Standard

Operating Procedures (SOPs) and other pertinent circulars.

The audit of overtime and allowances at the CMD revealed considerable overtime claims which led NAO to question the relative records and the productivity levels within the claimed hours. Additionally, the fragmented attendance recording system resulted in lack of proper controls and audit trail.

Follow-up action

To address the concerns raised by the NAO regarding attendance records, with particular reference to overtime, CMD immediately reviewed its overtime SOP to include a yearly overtime plan so that it could substantiate its budgets, justify related expenditure, and optimise the use of human resources. The total hours of overtime performed are supported by the necessary approvals and are being reconciled with attendance sheets.

To enhance internal controls and accountability, the CMD introduced a time and attendance system which addresses many of the shortcomings identified by the NAO in this audit.

CMD is ensuring that all requests for service and approvals are documented and filed to ensure a proper audit trail. In this regard, CMD is currently undergoing a pilot project with the Treasury Department related to a new accounting module to be incorporated in the Corporate Financial Management Solution (CFMS).

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATIONS ON SCOPE OF AUDIT		
<p>The following limitations hindered the audit process:</p> <ol style="list-style-type: none"> Records containing work shift details of the sampled employees were not available for audit purposes. As a result, official working hours, which ultimately affect the overtime hours claimed, could not be confirmed. Attendance records to support overtime were held separately from those pertaining to the normal work schedule. Moreover, individual sheets were held for each overtime job. This fragmented record-keeping system led to lack of proper control and audit trail. In addition, there was a time lag in overtime disbursements; thus, the Auditors were not in a position to confirm the total hours claimed and settled with respect to a specific period. <p>Accepted</p>	<p>The management has created a template, identifying the employee, section, shift details, and working hours. This form is inserted in the respective employee's personal file.</p> <p>A declaration form has also been created, for the employee to indicate whether he/she wishes to perform overtime and the preferred number of hours. This declaration form is inserted in the personal file.</p> <p>Nevertheless, the schedule notification forms, which included the normal working hours for each employee, were forwarded to the NAO when requested.</p> <p>A database for monthly overtime performed by all the units is being kept.</p> <p>A qualified accountant is following up on payments due to the Department, according to the SOP, ensuring that the time lag between overtime execution and overtime disbursement to the employees is kept to a minimum.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

KEY ISSUES

<p><i>Lack of accountability for overtime planning</i></p> <p>The Cleansing and Maintenance Division (CMD) is encouraged to establish SOP and guidelines which would enable Management to substantiate its budgets, justify related expenditure and optimise the use of human resources.</p> <p>Accepted</p>	<p>The SOP for overtime has been reviewed to include an overtime plan which is drawn up at the beginning of each calendar year, calculating the number of overtime hours required and setting quarterly thresholds. The calculations are based on past experience and the most popular periodic activities.</p> <p>Notwithstanding the foregoing, the CMD receives numerous ad hoc requests from entities, departments, and ministries that cannot be possibly quantified in advance.</p>	<p>Implemented</p>
<p><i>Considerable claims for overtime</i></p> <p>The preparation and implementation of the recommended guidelines and procedures is highly encouraged so that Management would be in a better position to allocate overtime hours according to the exigencies of the Division.</p> <p>Accepted</p>	<p>At the beginning of the year, the employees are required to declare in writing if they are willing to perform overtime during the year to meet the increase in demand for cleaning services. Due to the lack of response from a high percentage of the Division's employees, employees willing to perform overtime are requested to perform a substantial number of overtime hours with their consent.</p> <p>Following the NAO audit, rest breaks in excess of a six-hour overtime schedule are not being remunerated.</p>	<p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Unsatisfactory documentation management</p> <p>The absence of a comprehensive attendance record-keeping system weakens internal control and accountability.</p> <p>Accepted</p>	<p>To enhance internal control and accountability, a detailed list for each employee is being compiled monthly, specifying the total overtime hours performed during that particular month. The list is duly supported by all the necessary levels of approvals and reconciled with attendance sheets.</p> <p>Following the NAO audit, an overpayment of seven hours, due to an arithmetical error, was recouped. Furthermore, a comprehensive exercise was carried out to identify other errors in overtime payments.</p>	<p>Implemented</p> <p>Implemented</p>
<p>CMD is to implement an organised approach whereby the total employees' recorded hours, both in relation to the normal schedule and overtime, can be easily identified.</p> <p>Management of information would also be enhanced as details with respect to each task would be easily retrievable instead of being compiled through multiple spreadsheets.</p> <p>The possibility of erroneous payments would also be reduced whilst promoting an adequate audit trail.</p> <p>Accepted</p>	<p>Following a market research exercise among ICT suppliers and in collaboration with the Chief Information Officer (CIO) office, CMD introduced a time and attendance mechanism with specifications that encapsulate the majority of the gaps identified by NAO in this audit.</p>	<p>Implemented</p>
<p>Recoverable overtime</p> <p>CMD is expected to keep detailed record of calculations substantiating the charges invoiced to third parties.</p> <p>Accepted</p>	<p>CMD has been identified by the Treasury Department to participate in a pilot project featuring a new accounting module to be incorporated in the Corporate Financial Management Solution (CFMS), where each step of a transaction will be recorded in the system, from the initial stage of receiving the request, followed by the submission of the quotation, the invoice till the final stage of receiving payment and issuing a receipt.</p> <p>Presently the above-mentioned procedure is being carried out manually in accordance with the overtime SOP in place.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Additionally, all requests and approvals are to be duly documented and filed for future reference.</p> <p>Accepted</p>	<p>All requests for service and approvals are duly documented and inserted in their respective job file, in accordance with the overtime SOP.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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COMPLIANCE ISSUE

Possible conflict of interest

Consonant with professional ethics, if these situations cannot be avoided, the respective Permanent Secretary is to be duly informed in writing within a week from assuming office or upon a change in duties or circumstances.

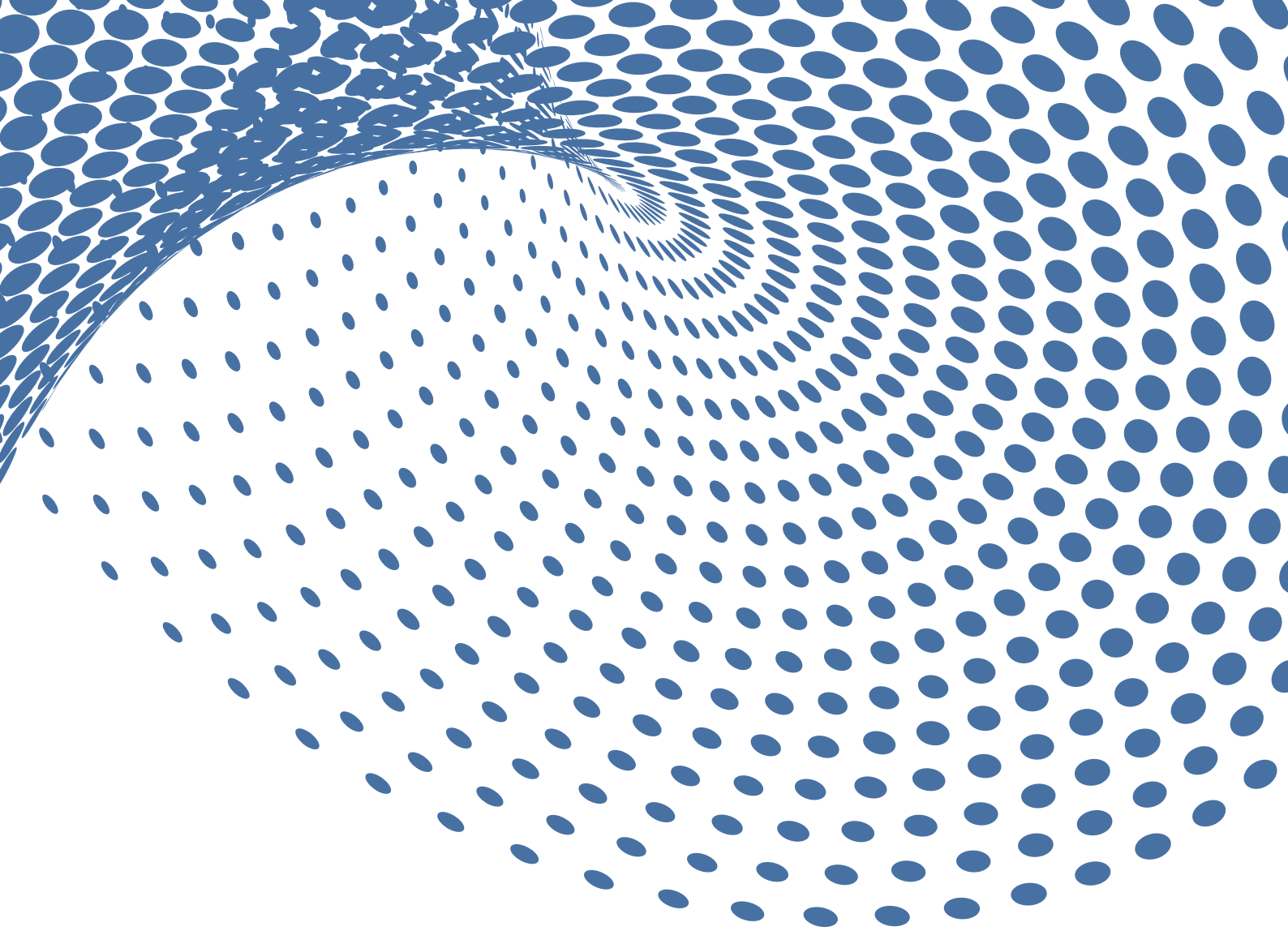
Although the primary responsibility for such notification is vested with the employees in question, Management is to ensure that the respective Permanent Secretary is informed of such circumstances as soon as it becomes aware.

Accepted

CMD is not aware that employees with close relationships work within the same units.

However, CMD has circulated a memo amongst its employees requesting them to declare whether or not they have any close relationships with other staff members. If any conflict of interest is identified, the Permanent Secretary will be informed accordingly.

Implemented



MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

(reported by the NAO as Ministry for
Home Affairs and National Security)



ARMED FORCES OF MALTA

EXPENDITURE

The Armed Forces of Malta (AFM) is a contracting authority listed under Schedule 16 of the Public Procurement Regulations (SL 601.03), administering its own public procurement up to the value of €250,000 (VAT excl.). Its headquarters is responsible for the command, control, and management of the Force, including the setting of policies and the day to day running of AFM.

The purpose of the audit covered AFM's expenditure in respect of contractual services, professional services and training, between January and December 2020. However, where necessary, transactions and events pertaining to other periods were also assessed. The objective of this audit was to evaluate the adequacy and effectiveness of internal controls and the management of contracts in force. Another objective was to determine whether basic principles, namely competition, transparency and equal treatment were upheld, with respect to procurement, as well as the selection of employees for training.

A number of procedures and internal controls regarding contractual services, professional services, and training within the AFM were found to be in sound operation. However, audit testing revealed weaknesses with respect to reimbursements of medical expenses, as well as in the oversight of contract provisions.

Follow-up action

The AFM has updated the medicine refund policy so that before approving and signing the receipt, the AFM doctor must ensure that the medicine requested is not available for free from the government dispensary. In line with the updated policy, the eligibility for refunds has been restricted and reimbursements are only issued if original receipts are provided.

To ensure that each masked receipt can be traced and linked to the doctor's prescriptions, the AFM is keeping the doctor's prescriptions in the medical centre and is giving each receipt a unique serial number. This number corresponds with the serial number of the masked receipt to ensure traceability.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
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LIMITATION ON SCOPE OF AUDIT

During audit testing, various instances were encountered, which limited the scope of this audit, as follows:

- a. Clinical psychological services were invoiced and paid for at the rate of €30 per hour. It was claimed that this rate was established in 2010/2011 and had since remained unchanged. However, the applicable rate was never documented in a formal agreement. Hence, correctness of this hourly rate could not be ascertained.

Accepted

AFM has engaged a doctor who is furthering his studies in psychiatry. Once he finishes his studies, AFM will no longer require the services of an external psychologist who is only required once every two to three years to carry out psychological assessments.

December 2024

Currently, the external psychological screening is provided to all applicants for officer cadets. AFM plans to provide psychological assessments to all the members of the AFM.

March 2025

- b. Doctors' prescriptions in support of the sampled transactions covering the purchase of medicinal items reimbursed to AFM officers were not provided for audit purposes. Moreover, items indicated in the receipts were being masked as a data protection measure, eliminating all audit trail and the possibility of independent internal and external verifications. Hence, the necessary checking, including confirmation that the items in question were not in Government's formulary of free medicines, could not be performed.

Partially accepted

Since receipts for medical items are sensitive data and must be sent to the Financial Management Branch for refund, these have to be masked to protect the recipient.

AFM is ensuring that traceability and audit trail is retained for all receipts for medical items.

Implemented

The pertinent internal policy has been updated to the effect that before approving and signing the receipt, the AFM doctor must ensure that the medicine requested is not available for free from the government dispensary.

Implemented

- c. While AFM provided this Office with a list of direct orders awarded in the year under review, the Ministry for Home Affairs, National Security and Law Enforcement, which is responsible for the publication of the respective procurement, did not provide evidence of the relevant publications in the Government Gazette, as required in terms of standing regulations

Accepted

MHSR is ensuring that the full list of contracts awarded is published in the Government Gazette within the set timeframe.

Implemented

CONTROL ISSUES

Entitlement to reimbursement of medical expenses

The provisions of the applicable legislation are to be clarified, in order to define the beneficiaries of this entitlement.

Accepted

The AFM is interpreting pertinent legislation in the context of accessibility to free medical treatment available to all at local health centres.

Implemented

The internal policy is then to be updated accordingly.

Accepted

The AFM medicine refund policy has been updated and circulated to all employees. In line with article 5 of this policy, refunds are only reimbursed for those medicines that are not available for free from the government dispensary, unless the AFM medical officer or a medical specialist direct otherwise by giving a justification for the decision taken.

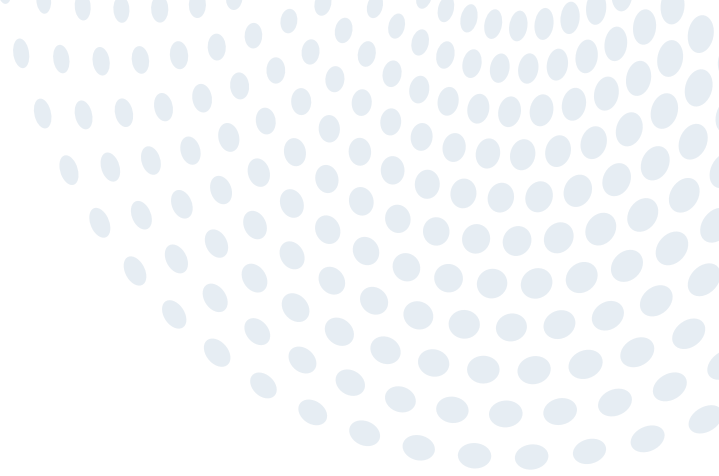
Implemented

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, a checklist for verification purposes, similar to that kept for other payments, is to be held for these refunds. This is to be attached to the respective payments, as evidence of the checks performed, also making reference to any other substantiating documentation.</p> <p>Accepted</p>	<p>Before signing a receipt, the medical officer must ensure and certify that the recipient is eligible for that specific medicine in accordance with the policy.</p>	<p>Ongoing</p>
<p>AFM is also to introduce the necessary controls regarding the refund of medical expense since otherwise this benefit, which claims are on the increase, will become unsustainable.</p> <p>Accepted</p>	<p>In line with the updated policy, the eligibility for refunds has been restricted.</p> <p>To ensure that a consistent approach is adopted for all requests, all the receipts are reviewed and endorsed by the same medical officer.</p> <p>Following the engagement of a pharmacist, the AFM has submitted the application to the relevant authorities to set up its own pharmacy with a view to dispense medical items to AFM members against the presentation of the entitlement card and prescription. In addition, medical items would be procured on more favourable terms than retail prices currently refunded by AFM.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Full reliance on certifying medical officer</p> <p>AFM may consider filing the unmasked receipts in a confidential manner together with the doctor's prescription. These can then be made available only for internal and external verifications.</p> <p>Partially accepted</p>	<p>Medical receipt cannot be unmasked without breaching the GDPR of the recipient.</p> <p>Each masked receipt can be traced and linked to the doctor's prescriptions. The doctor's prescriptions are kept in the medical centre and are given a unique serial number. This number corresponds with the serial number of the masked receipt.</p>	<p>Implemented</p>
<p>On the other hand, the Financial Management Branch can be provided with the approved claim form for refund purposes. Hence, while data protection requirements are safeguarded, audit trail remains intact.</p> <p>Not accepted</p>	<p>The Financial Management Branch only issues reimbursements against original receipts, provided that the claim forms provided have been approved by the medical officer beforehand.</p>	
<p>Medical reimbursements on the basis of re-print receipts</p> <p>Reimbursements are only to be affected on the basis of original receipts in line with the standing policy, intended to curb any type of abuse.</p> <p>Accepted</p>	<p>In line with the refund policy, reimbursements are only issued if the original receipts are provided.</p>	<p>Ongoing</p>
<p>Items not traced to inventory database</p> <p>While acknowledging that backlogs are being rectified, it is vital that all inventory items are recorded in the database in line with standing regulations, as soon as they are received.</p> <p>Accepted</p>	<p>AFM have updated all medical inventory accounts, and all inventory items are recorded in the database.</p> <p>AFM held discussions with the Treasury to incorporate new purchases for the inventory system in real time by using the CFMS module.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>No substantiating documentation for amounts paid</p> <p>AFM is to ensure that all rates paid are supported by quotations or other documentation, as applicable, enabling internal and external verifications.</p> <p>Accepted</p>	<p>The contract mentioned by the NAO was terminated and the AFM issued a call for quotations (CfQ) to cater for these requirements.</p> <p>AFM is monitoring all agreements to ensure that before the expiry of the term of an agreement, a fresh procurement process is initiated.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Invoices are then to be certified correct after checked against the relevant records.</p> <p>Accepted</p>	<p>AFM is ensuring that payment is effected only after invoices have been thoroughly checked and certified correct.</p>	<p>Ongoing</p>
<p>Inconsistencies in contract provisions</p> <p>AFM is to go through all contracts before these are signed, including those entered into on its behalf, to make sure all terms were in line with the tender's provisions.</p> <p>Accepted</p>	<p>To amend the divergencies in the two contracts referred to by the NAO, AFM signed a corrigendum to the contract agreement.</p> <p>The Integrated Logistics Branch's tender section is following all departmental tenders drafted. All contract documents are vetted prior to signature to ensure that contract terms reflect the provisions set out in the related tender document.</p>	<p>Implemented</p> <p>Ongoing</p>

GENERAL COMMENTS

The prevailing culture within AFM is one of accountability, transparency, and good governance. This was noted in the documentation reviewed, which was provided to the NAO upon request, as well as observation during onsite visits. The significant importance attached to training and the highly qualified workforce also contribute to this. Calls for expression of interest issued for local training gave all employees the opportunity to participate and justifications provided for the selection of specific officers for overseas training were in order. Moreover, verification procedures, applicable for local payments exceeding €5,000 (VAT excl.) and all foreign payments, were scrupulously followed.



MALTA POLICE FORCE

PERSONAL EMOLUMENTS

In 2020, the Malta Police Force (MPF) introduced a number of major reforms, comprising the centralisation of detail officers and process automation, the launch of an anti-corruption policy and anonymous reporting system, immediate payment to officers for extra duty, the set-up of an internal audit unit, as well as capping of voluntary supplementary duties. These reforms, aiming to transform the police organisation into a flexible, efficient, and modern police force, were brought about following the appointment of the new Commissioner of Police and the launch of the Malta Police Transformation Strategy 2020–2025.

The purpose of the audit covered MPF's expenditure on overtime and allowances incurred in 2020 and work practices adopted in 2021. The audit's objective was to evaluate the adequacy and effectiveness of internal controls related to the areas under review, assessing in particular whether they provided adequate assurance of accurate payments, in line with standing provisions and regulations, duly backed up by documentation and effected in a timely manner.

While acknowledging that the MPF has been working hard to improve its operational performance, controls related to the areas under review were still not

sufficiently effective. As things stood during the period of review, together with the manual and paper-based processes, this resulted in delays in the communication of information, errors, and incorrect payments.

Follow-up action

To address the issue concerning the daily duty rosters, the MPF has enhanced the Detail of Duty system to include the description of overtime and extra duty and the time in and time out for all categories of supplementary duty worked. To have visibility of future duty, the Staffing and Major Events Unit started drawing up the rosters for all members of the Police Force. The Compliance Unit are carrying out random onsite visits to ensure that the workforce is actually deployed as set out in the detail sheet.

The MPF has re-launched and re-structured the Internal Audit Office. The IA Office compiled its annual audit plan, which has been approved by the Internal Audit Committee.

The MPF is inputting the data in the Salaries Reporting System directly including the approval letters. In cases of overpayment, MPF are entering into a repayment agreement with the officers concerned.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>Although the details in the daily duty rosters provided showed the officers to perform overtime, they did not indicate the respective time and duration. Consequently, correctness of hours claimed, and payments effected to the officers in the respective department could not be independently verified.</p> <p>Accepted</p>	<p>The Detail of Duty system has been enhanced to include the description of overtime and extra duty and the time in and time out for all categories of supplementary duty worked.</p> <p>The Staffing and Major Events Unit are drawing up the rosters for all members of the Police Force, to have visibility of future duty.</p> <p>The returns sent to Salaries Back Office are based on the hours inputted in the Detail of Duty system.</p> <p>The Compliance Unit within the Malta Police Force (MPF) are carrying out random spot checks to ensure that hours claimed are being performed.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

KEY ISSUE

<p><i>Ineffective processes in relation to allowances</i></p> <p>A number of shortcomings were already acknowledged by MPF in the Transformation Strategy document dated September 2020; thus, it is recommended that this area is treated as a priority.</p> <p>Processes in place are to be reviewed and those that do not add any value are to be eliminated.</p> <p>Accepted</p>	<p>The Internal Audit (IA) Office within MPF was re-launched and re-structured. The IA Office compiled its annual audit plan, which has been approved by the Internal Audit Committee (IAC).</p> <p>The audit plan of the IA Office included an internal audit within HR. This internal audit will map out and analyse all major processes and operations within HR, and identify areas for improvement of efficiency and effectiveness, including an assessment of the procedure regarding the payment of allowances.</p> <p>In line with IA principles, identified gaps or shortcomings are discussed with the management while the audit is ongoing, so that corrective measures are implemented without delay.</p> <p>The HR is reviewing internal processes to ensure more equitable distribution of tasks. It is also considering consolidation of data.</p> <p>The MPF is carrying out a review on the payment of allowances biannually to regularly establish that all allowances paid are actually due.</p>	<p>Implemented</p> <p>March 2023</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
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RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>As far as possible, automate the rest to be more efficient.</p> <p>Accepted</p>	<p>The Salaries Reporting System (SRS) has improved processes by providing a clear picture of the benefits due to each officer.</p> <p>Applications are being explored to determine whether the SRS can be linked to other systems for further automation.</p> <p>The document by which a police officer is transferred from one section to another has been modified and now includes new fields, indicating which allowances the officer is entitled to by virtue of the transfer.</p> <p>The MPF has implemented a digital document management system, including the document for the transfer of a police officer from one section to another.</p>	<p>Implemented</p> <p>March 2023</p> <p>Implemented</p> <p>Implemented</p>

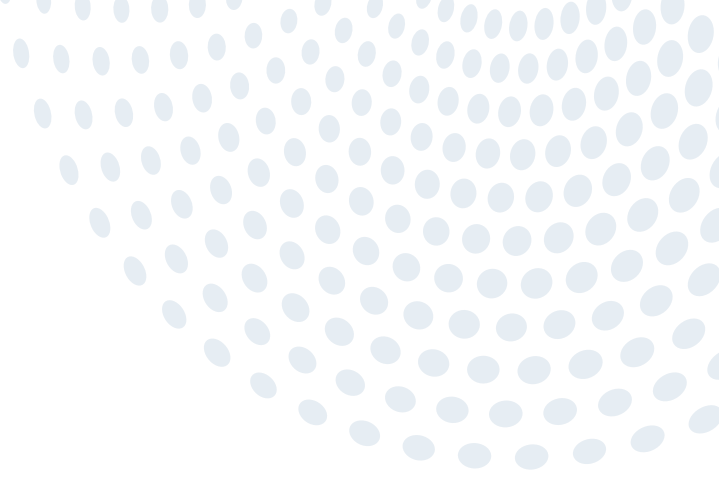
CONTROL ISSUES

<p>Shortcomings in the upkeep of records</p> <p>In order to exercise control in line with the set requirements, HR must have complete and updated information at all times.</p> <p>Accepted</p>	<p>The MPF is modernising the Personal Record data by expanding its scope and rendering this data more central to the HR function.</p> <p>The MPF is recording all new allowances in the letter-minute sent to the officer concerned.</p> <p>Additionally, the MPF has adopted an internal system of approvals for every officer, including approvals for the payment of allowances. Approval letters are uploaded in the SRS.</p>	<p>March 2023</p> <p>Ongoing</p> <p>Implemented</p>
<p>In this regard, it is recommended that one record, ideally in electronic format, is identified for this purpose and all information related to allowances is recorded therein.</p> <p>Accepted</p>	<p>HR is embarking on a systems modernisation initiative by converting existing paper-based systems to a digital equivalent.</p> <p>The MPF is holding discussions with different stakeholders in relation to the data repository.</p>	<p>March 2023</p> <p>Ongoing</p>
<p>Allowances not in line with standing regulations</p> <p>HR is to carry out regular reviews in order to ensure that the conditions for which an allowance was granted still apply, amongst others.</p> <p>Accepted</p>	<p>HR is carrying periodic reviews biannually to ensure that allowances are only granted to eligible officers by evaluating changes in circumstances, and invariably adhering to the Manual of Allowances.</p> <p>HR is currently organising monthly meetings with all staff concerned to keep them informed and updated with respect to allowances they are entitled to.</p> <p>The internal system of approvals for every officer, including approvals for the payment of allowances, provides a set format to minimise human error.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>In case of divergences, appropriate action is to be taken immediately. Evidence of such a review is to be filed for future reference.</p> <p>Accepted</p>	<p>The MPF is modernising personal record data by expanding its scope and rendering this data more central to the HR function.</p> <p>In cases of overpayment, MPF are entering into repayment agreement with the officers concerned. Legal action will be initiated if payment is not made.</p>	<p>March 2023</p> <p>Implemented</p>
<p>Regular reconciliations between HR and Salaries Back Office may also be held by the two units to ensure that all relevant instructions issued in a particular period were received by the latter, while enabling any issues to be clarified in a timely manner.</p> <p>Accepted</p>	<p>MPF HR is currently making use of SRS. Constant reviews are currently being undertaken to ensure efficient dataflow and minimise errors.</p> <p>Approvals and payments for qualifications allowances were reviewed and reconciled.</p> <p>MPF HR is holding more frequent meetings with the Salaries Back Office to address shortcomings.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>In addition, it is to be ensured that any instructions issued by HR are clearly communicated to the relevant parties.</p> <p>Accepted</p>	<p>Through the meetings with MPF HR, the Salaries Back Office is being informed on any updates carried out.</p> <p>The wider deployment of the SRS has reduced the number of errors.</p>	<p>Ongoing</p> <p>Implemented</p>
<p><i>Benefits from the salaries reporting system not attained</i></p> <p>Ideally, data is to be keyed straight into the SRS by HR staff. Besides mitigating the risks mentioned in the observation, it will also give HR access to real time information about the employees' entitlements.</p> <p>Partially accepted</p>	<p>The MPF is inputting the data in the SRS directly and this led to the minimisation of errors.</p> <p>The MPF has drawn up SOPs detailing HR procedures. This SOP is updated whenever necessary and updates are being recorded. The SOP was circulated to all staff concerned.</p> <p>The management is ensuring compliance</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Unclear entitlement of allowances</i></p> <p>In order to enhance transparency and fairness, standing regulations are to be reviewed and the beneficiaries clearly specified, in terms of both areas and specific job postings, where applicable.</p> <p>Accepted</p>	<p>The HR is carrying periodic reviews of the procedure on payment of allowances biannually.</p> <p>HR is currently organising monthly meetings with all staff concerned to keep them informed and updated with respect to allowances they are entitled to.</p> <p>Every allowance is being approved by the pertinent Assistant Commissioner and by the Assistant Director HR in accordance with the provisions of the PSMC and internal regulations.</p> <p>Every allowance is inputted in the SRS system.</p> <p>By the introduction of the approval system, MPF has a record of the allowances approved to all officers working with MPF.</p> <p>Internal discussions are taking place to establish a list of the entitlements for each posting. Once established, these will be included in the new sectoral agreement for police officers.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>December 2024</p>
<p>Moreover, as already reiterated, a review of allowances in force is to be carried out in order to ensure these are in line with prevailing regulations.</p> <p>Accepted</p>	<p>MPF will embark on an exercise in relation to the entitlement of the Special Duty Allowance. The outcome of this exercise will be reflected in the new Sectoral Agreement.</p> <p>With the digitalisation of personal record data, MPF is in a better position to analyse the data in relation to allowances and thus ensure that these allowances are granted in line with prevailing rules and regulations.</p>	<p>October 2023</p> <p>Implemented</p>
<p><i>Inadequate verifications and unreliable records</i></p> <p>Proper verifications are to be carried out prior to the respective endorsement.</p> <p>Accepted</p>	<p>The MPF is ensuring that attendance sheets for civilian employees are verified prior to endorsement by the management.</p> <p>In the Detail of Duty database, claims are calculated automatically and forwarded to the Salaries Back Office.</p> <p>The Staffing and Major Events Unit is carrying out reconciliation between the Detail of Duty database and the Dakar system to ensure effectiveness and correctness of returns.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Independent regular checks are also to be performed, in order to strengthen the detective control mechanism and ensure that any discrepancies are identified at an early stage.</p> <p>Accepted</p>	<p>The Compliance Unit within the MPF is carrying out random onsite visits to ensure that the workforce is deployed as set out in the detail sheet, ensuring compliance with time and attendance requirements, and help identify unofficial practices which may occur.</p> <p>Automation for the returns for overtime and extra duty worked is based on the actual daily duty roster. The practice ensures that a police officer will not be paid for supplementary duty unless the correct date is entered in the Detail of Duty database.</p>	<p>Ongoing</p> <p>Implemented</p>
<p><i>Voluntary extra hours and rest period obligations</i></p> <p>All interested employees are to be given the opportunity to work extra hours if they so wish.</p> <p>Accepted</p>	<p>Police officers are obliged to fill an electronic form consenting to perform supplementary duty exceeding the 48-hour week as stipulated in the Working Time directive.</p> <p>The police officers are required to list the dates and times of their choice to be assigned supplementary duties.</p>	<p>Implemented</p> <p>Implemented</p>
<p>However, it is also to be ensured that working hours are reasonable and as far as possible in line with standing directives.</p> <p>Accepted</p>	<p>Checks are being carried out by the Staffing & Major Events unit to ascertain that adequate rest is allowed between each duty.</p> <p>The Detail of Duty system has the functionality to allow users to monitor rest periods availed of by officers.</p>	<p>Ongoing</p> <p>Implemented</p>



CIVIL PROTECTION DEPARTMENT

PERSONAL EMOLUMENTS

The Civil Protection Department (CPD) was founded in 1996 but did not function as a Fire and Rescue service until January 2000. The Department has four fire stations in Malta, a fire station in Gozo, as well as a Marine Section. It also has a number of sub-sections, catering for Hazardous Material, Urban Search and Rescue, including the Dogs Section and a Humanitarian Aid Unit.

The purpose of the audit was to assess the policies, procedures, as well as personal emoluments paid by CPD in 2020. Payments made in 2021, with respect to arrears due retroactively, were also audited.

The audit revealed that, in general, effective controls were in place, with the exception of some minor issues.

Follow-up action

To address the issue of allowances, CPD is communicating with the pertinent authorities to ensure that all salaries and allowances are paid in accordance with the provisions of the appropriate collective agreement. CPD is also reviewing every collective agreement to ensure that its provisions are adhered to.

CPD has updated the vacation leave card to reflect current procedures. The current procedure stipulates that the prior approval of the superior officer must invariably be obtained for an employee to utilise vacation leave.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Allowance due not paid in full</p> <p>Provisions in the collective agreements pertaining to staff members are to be honoured.</p> <p>Accepted</p>	<p>In relation to the case referred to by the NAO, all the arrears due were paid to the officer concerned.</p> <p>Controls are in place to ensure that salaries and allowances are paid in full, in terms of the pertinent classification agreement.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Adequate checking is to be performed to ensure that input is accurate and reflects what is due to the respective employees. This would reduce instances of errors.</p> <p>Accepted</p>	<p>CPD is communicating with relevant authorities to ensure that all salaries and allowances are paid in accordance with the provisions of the pertinent collective agreement.</p> <p>Every collective agreement is being reviewed to ensure that its provisions are adhered to.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Outdated vacation leave forms</p> <p>Vacation leave forms are to be signed as indication that any absence from work is duly authorised.</p> <p>Accepted</p>	<p>CPD has drawn up a new vacation leave application form. This form was circulated by means of a CPD circular to all employees.</p> <p>The prior approval by the superior officer must invariably be obtained for an employee to utilise vacation leave. The procedure has been simplified and explained to ensure that all signatures are in place.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Moreover, since the procedure to authorise, leave differs from that indicated, the application form is to be adjusted to reflect the underlying procedure accordingly, if this is acceptable by Management.</p> <p>Accepted</p>	<p>The vacation leave form was updated to reflect the current procedures.</p>	<p>Implemented</p>

GENERAL COMMENTS

Except for the minor issues reported above, testing carried out by the NAO on the payroll processes within CPD confirmed that the expected controls were in place and in sound operation. The payment of salaries in arrears was also in line with the requirements of the new collective agreement.



CORRECTIONAL SERVICES AGENCY

CAPITAL EXPENDITURE

The Correctional Services Agency (CSA) was set up in June 2019 through the Correctional Services Agency (Establishment) Order, 2019 (LN 121 of 2019). Apart from the main correctional facilities at Paola, CSA comprises other locations that are considered by law as places of custody, namely the Valletta lock-up below the Malta Law Courts, the Forensic Unit at Mount Carmel Hospital, and the Centre of Residential Restorative Services at Mtaħleb. Responsibility for day-to-day running of CSA rests with the Chief Executive Officer.

The objective of this audit was to evaluate the adequacy and effectiveness of internal controls with respect to capital expenditure. Another objective was to determine whether basic principles governing public procurement, namely competition, transparency, and equal treatment were upheld.

Significant weaknesses associated with the management of capital expenditure by the CSA were noted. These weaknesses covered planning, procurement, monitoring, and safeguarding of assets.

Follow-up action

All the recommendations made by the NAO were accepted by CSA and CSA implemented several actions to address these recommendations.

The CSA has opened specific nominal accounts to keep track of all expenditure which is of a capital nature. Transactions of a capital nature are being recorded, and these are allocated to the respective project in the accounting software.

To address the concerns raised by the NAO relating to procurement, CSA has engaged a Head of Logistics whose responsibility is to ensure that Public Procurement Regulations (PPR) are adhered to. The CSA segregated the procurement process into four sections. The CSA separated the Logistics Unit and Finance Unit to ensure segregation of duties. The Logistics Unit is responsible for purchasing whilst the Finance Unit is processing invoices. The CSA has also provided training on procurement to the staff concerned.

The CSA has drawn up a Project Management Framework to manage projects effectively and efficiently. Each project is being managed by a designated officer. The CFO started overseeing the CSA's financial activities and monitoring the costs to ensure that these remain within budget. Invoices are being checked against the agreed rates and endorsed before payments are processed.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATIONS ON SCOPE OF AUDIT		
<p>During audit testing, various instances were encountered, which limited the scope of this audit, as follows:</p> <p>a. During the year under review, CSA did not maintain accounts specifically for capital expenditure. Consequently, while it was established that the allocation of €1.65 million from the capital vote was fully exhausted, total capital expenditure could not be reliably determined since the related expenditure was posted to various accounts, including those of a recurrent nature.</p>	<p>Specific nominal accounts were opened to keep track of all expenditure which is of a capital nature.</p> <p>The CSA is ensuring that accounts are specifically maintained for capital expenditure.</p>	<p>Implemented</p> <p>Ongoing</p>
Accepted		
<p>b. During 2020, the recording of transactions of a capital nature was not linked to the respective project, hence total project costs could not be determined. Furthermore, the filing system in place was not adequate; documentation related to capital projects was stored in box files without any particular order, making it difficult to trace documents related to specific transactions.</p>	<p>Transactions of a capital nature are being recorded and these are allocated to the respective project in the accounting software.</p> <p>Filing procedures have been adopted to ensure a systematic and complete audit trail.</p>	<p>Implemented</p> <p>Implemented</p>
Accepted		
KEY ISSUES		
<p>No systematic approach to manage capital expenditure</p> <p>Internal controls are to be urgently enhanced in order to ensure that planning, execution and recording of capital expenditure are carried out in an efficient and reliable manner, and in line with standing regulations and general good practice. It is recommended that CSA actively considers adopting a Project Management Framework that provides a consistent method for realistic resource planning, timely project completion, and effective budget monitoring, enabling clear accountability of responsibilities, meaningful audit trail and a rigorous risk management process.</p>	<p>The CSA has drafted a Project Management Framework to manage projects effectively and efficiently.</p> <p>SOPs detailing the full procurement processes, invoice processing, the segregation of duties, and project management will be drafted and circulated to all staff concerned. The management will ensure compliance.</p> <p>To monitor the capital projects, the CSA started the process to recruit a Head of Implementation and a Project Manager.</p>	<p>Implemented</p> <p>December 2022</p> <p>Implemented</p>
Accepted		
<p>Security equipment project - Shortcomings related to the project</p> <p>Adequate documentation should be in place to enable both internal and external independent verifications.</p>	<p>All documentation is being maintained and filed in an organised and systematic way to ensure adequate audit trail.</p> <p>All invoices are being backed up with the time sheets or delivery notes that were duly signed by the responsible officers.</p>	<p>June 2023</p> <p>Implemented</p> <p>Implemented</p>
Accepted		

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Any items required beyond those covered by the contracts in place are to be acquired through the normal channels, ensuring that controls are not bypassed.</p> <p>Accepted</p>	<p>The maintenance agreements for security equipment have been drafted and sent to the competent authorities for approval.</p> <p>All invoices received are being checked against agreed rates.</p> <p>The management is ensuring compliance.</p> <p>The management is holding monthly meetings with the Finance Team to discuss operational issues.</p> <p>Agreements signed with suppliers are also including proper terms and conditions related to licences.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>While, in projects of such magnitude, an element of variations is expected, these should not become the norm. These should also be documented and authorised in writing by the relevant authority providing full audit trail.</p> <p>Accepted</p>	<p>Variations to contracts are made only if these are fully justified and in line with PPR. The CSA will also ensure that variations are kept to the absolute minimum.</p> <p>Training on procurement was provided to the staff concerned.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Internal controls are expected to be immediately stepped up. While acknowledging the sensitive nature of the project, amongst others, these are to include full audit trail and as far as possible, segregation of duties.</p> <p>Accepted</p>	<p>The CSA will draft and circulate SOPs detailing the full procurement processes, invoice processing, the segregation of duties and project management.</p> <p>The management will ensure compliance.</p> <p>The CSA is ensuring that the procurement processes are segregated.</p>	<p>December 2022</p> <p>Ongoing</p>
<p>The CFO is expected to monitor the related costs in order to ensure that the respective budget is not exceeded.</p> <p>Accepted</p>	<p>The CFO is overseeing the CSA's financial activities and monitoring the costs to ensure that these remain within budget.</p>	<p>Ongoing</p>
<p>Furthermore, those entrusted with exercising control need to have the relevant information to be able to discharge their duties in an effective manner. Hence, they need to be aware of relevant contract provisions, such as rates payable, enabling them to carry out the necessary verifications.</p> <p>Accepted</p>	<p>The invoices are being checked against the agreed rates and endorsed before payments are processed.</p> <p>The CSA is revisiting the procedures in place. Officers assigned project management duties will be required to provide the list of projects together with their relative estimates to the CFO, this being a fundamental role in exercising control.</p>	<p>Implemented</p> <p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The involvement of the Implementation Unit in project management, in line with the provisions of LN 121 of 2019, is also strongly encouraged. This would provide independent oversight, enabling corrective action to be taken as and where necessary.</p> <p>Accepted</p>	<p>The CSA carried out a restructuring exercise in relation to the job positions.</p> <p>The job description of the Head of the Implementation Unit is in line with Legal Notice 121/2019.</p>	<p>Implemented</p> <p>Implemented</p>
<p>A purchase order is to be invariably raised before a commitment is entered into.</p> <p>Accepted</p>	<p>The CSA is revisiting the procedures in place to ensure that:</p> <ul style="list-style-type: none"> a. Purchase requisitions together with the necessary justification are drawn and duly approved by the right level of authority; and b. Purchase orders are issued prior to any procurement and include the relevant terms and conditions. 	<p>October 2022</p>
<p>Procurement not in line with public procurement regulations</p> <p>Compliance with the regulations, which are intended to promote competition and transparency, is the main way to obtain better deals and to mitigate risks, particularly those related to reputational damage which would arise from non-compliance. Such enhancement in governance processes will also strengthen the integrity of the organisation.</p> <p>Accepted</p>	<p>The CSA has engaged a Head of Logistics whose responsibility is to ensure that Public Procurement Regulations (PPR) are adhered to.</p> <p>The procurement related procedure will be included in the SOP.</p> <p>Training on procurement was provided to the staff concerned.</p>	<p>Implemented</p> <p>December 2022</p> <p>Implemented</p>
<p>Thus, it is recommended that there is adequate and timely planning so that the related procurement is made in line with pertinent regulations in a fully transparent manner, providing equal treatment to all interested bidders and ensuring that the interests of Government are duly safeguarded.</p> <p>Accepted</p>	<p>A procurement plan will be prepared in advance for the following year and then approved by the Board.</p> <p>The plan will be monitored and acted upon as necessary to ensure timely procurement procedures.</p>	<p>December 2022</p> <p>January 2023</p>

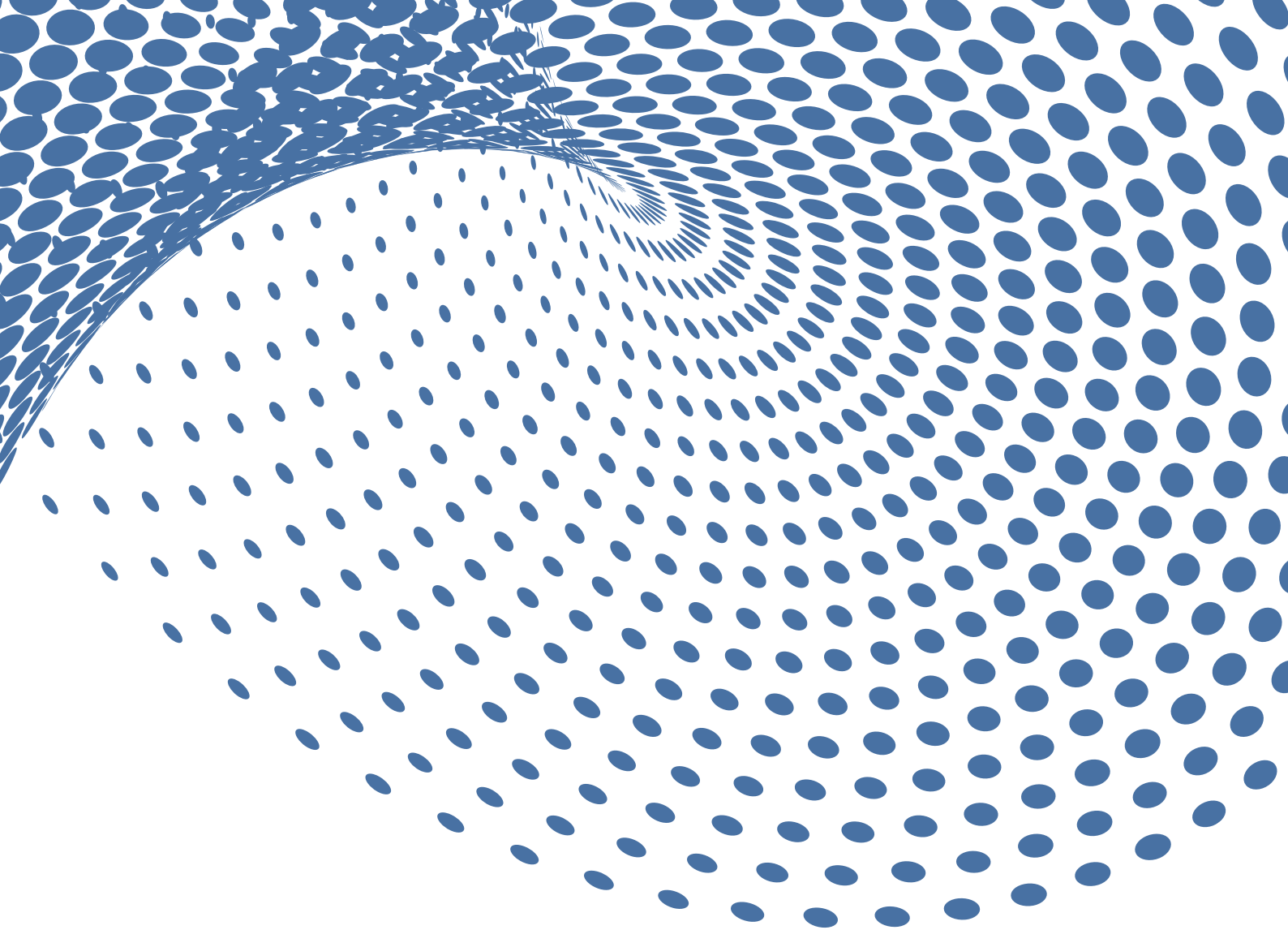
CONTROL ISSUES

<p>Unreliable projections</p> <p>The project planning phase is to include a feasibility study, taking into consideration available resources and adequacy of cashflow position.</p> <p>Accepted</p>	<p>Each project is being managed by a designated officer.</p> <p>With respect to projects, the CFO is liaising with technical experts, keeping in mind the financial allocations available in the budgetary estimates.</p>	<p>Implemented</p> <p>Implemented</p>
	<p>An SOP detailing project management will be drafted including financial estimates procedures.</p> <p>The management will ensure compliance</p>	<p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>While NAO acknowledges that in a dynamic and challenging organisation, such as CSA, priorities are continuously evolving, any deviations from planned and approved projects are expected to be clearly documented, providing justifications and proper audit trail.</p> <p>Accepted</p>	<p>The CSA are ensuring that deviations from planned and approved projects are being clearly documented together with justifications, supporting documentation, and approvals to provide an adequate audit trail.</p> <p>The CSA will draft an SOP detailing the necessary authorisation levels required so that projects are approved only if funds are available.</p> <p>The management will ensure compliance</p>	<p>Implemented</p> <p>December 2022</p>
<p>Inadequate audit trail hindering verifications</p> <p>Reasonable cost estimates, independent evaluations and adequate audit trails are vital and essential components for efficient and effective project monitoring. They also serve as the basis for verification of invoices before these are approved for payment. Hence, CSA is to ensure that internal control in this regard is duly stepped up.</p> <p>Accepted</p>	<p>Cost estimates and independent evaluations are being compiled and documented.</p> <p>To ensure segregation of duties, the Logistics Unit and Finance Unit are responsible for purchasing and paying suppliers respectively, while the Stores Section is responsible for receiving and delivering goods and services.</p> <p>Project deliverables are being endorsed by either by the Head of Trade or Quantity Surveyor.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>CSA is also expected to request a copy of the certification from the respective supplier.</p> <p>Accepted</p>	<p>The CSA is ensuring that the supplier provides a copy of the certification. Certifications are then adequately filed.</p> <p>The CSA engaged an authorised licenced electrician to certify related works and services.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>Lack of segregation of duties and standard operating procedures</p> <p>In addition, CSA is to ensure that adequate segregation of duties is in place and thus no officer should be responsible for the raising of purchase orders and processing of respective payments. CSA may consider shifting this function to the Logistics Unit.</p> <p>Accepted</p>	<p>The CSA segregated the procurement process into four sections.</p> <p>The CSA separated the Logistics Unit and Finance Unit to ensure segregation of duties. The Logistics Unit is responsible for purchasing whilst the Finance Unit is processing invoices.</p>	<p>Implemented</p> <p>Implemented</p>
<p>CSA is to draw up standard operating procedures which would contribute to clarity and consistency throughout the organisation.</p> <p>Accepted</p>	<p>An SOP detailing the procurement process, including adequate segregation of duties within the agency, will be drafted and circulated to all staff concerned.</p> <p>The management will ensure compliance.</p>	<p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Ideally, set thresholds are to be applied at pre-acquisition level, ensuring that any commitments entered into are duly approved from the right level of authority.</p> <p>Accepted</p>	<p>The CSA is ensuring that procurement is approved as per applicable thresholds prior to the commitment of funds. Invoices are only approved for payment once these are duly checked and endorsed.</p> <p>The CSA will draft an SOP, detailing the full procurement process, and giving clear mandates in both procurement activities and monitoring.</p> <p>The management will ensure compliance.</p>	<p>Ongoing</p> <p>December 2022</p>
<p>Accounting issues</p> <p>Regular bank reconciliation statements are to be carried out to ensure that discrepancies are detected at an early stage and timely corrective action is taken.</p> <p>Accepted</p>	<p>The CSA and the Ministry are carrying out monthly reconciliations of bank accounts and tranches.</p> <p>The Logistics and Finance Units started using the accounting software to extract different reports.</p> <p>The Stores Section will start using the related module within the accounting software.</p>	<p>Ongoing</p> <p>Implemented</p> <p>December 2022</p>
<p>In addition, unless the accounting staff is made aware of outstanding dues, they will not be in a position to prepare meaningful accounts on accruals basis.</p> <p>Accepted</p>	<p>The CFO and the accounting staff are monitoring and managing all outstanding dues.</p>	<p>Implemented</p>
<p>Moreover, it is vital that all relevant information is communicated to CFO in a timely manner so that adequate records can be kept.</p> <p>Accepted</p>	<p>The CFO is ensuring that amounts not yet invoiced are accurately accrued for at each final reporting period.</p> <p>The CSA is maintaining a list of the pending commitments.</p> <p>The payment process will be reflected in an SOP. The management will ensure compliance.</p> <p>The CSA is ensuring that the Creditors' Return and Accruals' Return are completely and accurately filled. These returns are being submitted within the requested deadlines.</p> <p>The CFO is regularly requesting all staff concerned to send accredited statements and invoices on time to report accurate figures. These are periodically checked.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>December 2022</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Furthermore, accounts are to be drawn up and audited within the stipulated legal timeframes.</p> <p>Accepted</p>	<p>An external auditor has been commissioned to finalise the audited financial statements.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Other procurement issues</p> <p>Bids are to be sent to a generic email address, to be accessed only by the designated officer on the closing date.</p> <p>Accepted</p>	<p>Following a request for quotations, bids/ offers are being channelled through one generic email address which is managed by designated officers.</p> <p>The procedure in relation to the generic email will be included in an SOP.</p> <p>The management will ensure compliance.</p>	<p>Implemented</p> <p>December 2022</p>
<p>Transparency and equal treatment are two basic principles related to public procurement. Hence all calls for quotations are to be documented for full audit trail.</p> <p>Accepted</p>	<p>Any relevant documentation related to requests or calls for quotes are being filed to ensure an adequate audit trail.</p>	<p>Ongoing</p>
<p>In addition, all invoices are to be invariably verified and certified correct prior to their approval for payment.</p> <p>Accepted</p>	<p>Payments are only processed once invoices are thoroughly checked and certified correct by the responsible officer.</p>	<p>Ongoing</p>
<p>No fixed asset register in place</p> <p>CSA is to start building the fixed asset register without further delay. Besides being a vital internal control component with respect to the safeguarding of assets, this is also an important aspect of accrual accounting.</p> <p>Accepted</p>	<p>The CSA will identify all assets and finalize a fixed asset register in line with MF Circular No. 14/99.</p> <p>An officer will be assigned the responsibility to maintain the CSA's assets records. This will ensure that the rules established to safeguard government property are rigidly adhered to.</p>	<p>June 2023</p> <p>June 2023</p>
<p>It should include both tangible and intangible assets acquired over the years, as well as those newly purchased, and assets manufactured in-house.</p> <p>Accepted</p>	<p>The CSA will include all assets, whether purchased or manufactured, in the register.</p>	<p>June 2023</p>



MINISTRY FOR **JUSTICE**

(Reported by NAO as Ministry for Justice,
Culture and Local Government)



MINISTRY FOR JUSTICE, CULTURE AND LOCAL GOVERNMENT

PERSONAL EMOLUMENTS

The then Ministry for Justice, Culture and Local Government (MJCL) had a number of cost centres within its portfolio. The Ministry was also responsible for a number of Boards and Entities.

However, as a result of the reorganisation occurring within the public administration in January 2020, certain cost centres, including the Restoration Directorate and the Cleansing and Maintenance Division, to which the majority of the budgets were allocated, no longer fell within the remit of MJCL. Thus, this audit focused on expenditure incurred by two of the cost centres remaining under the responsibility of the pertinent Ministry, namely the Office of the Permanent Secretary (A04) and the Office of the Notary to Government (A06).

The main scope of the audit was to ascertain the adequacy of the internal control system in place with respect to the payment of allowances and overtime, as well as to verify whether applicable regulations and agreements were followed for the approval and payment thereof. It was also ensured that the respective payments were supported by the necessary documentation.

The audit revealed weak internal controls, mainly relating to insufficient verification of overtime payments, and inadequate documentation maintenance in both areas reviewed.

Follow-up action

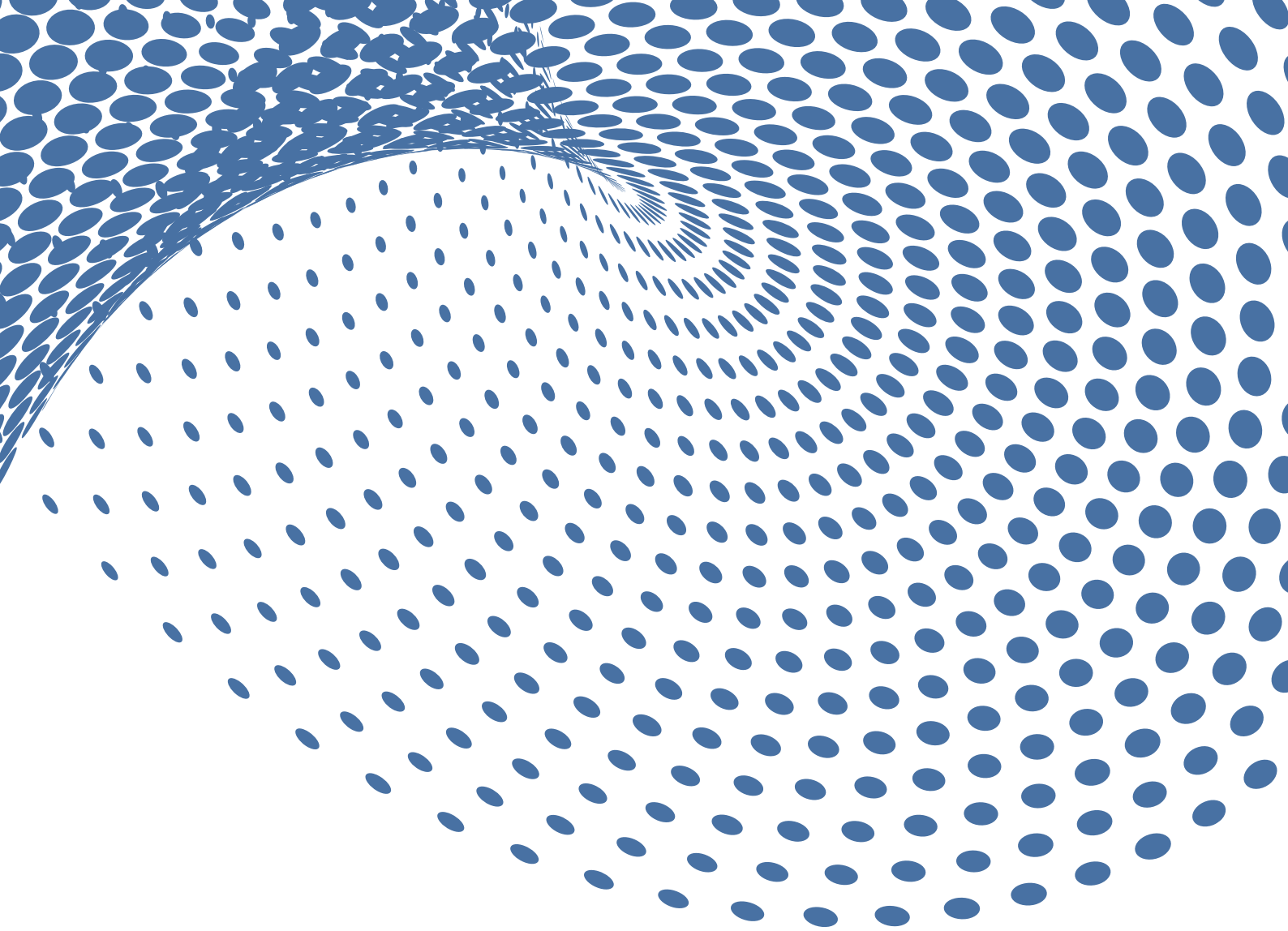
The Ministry for Justice (MFJ) has drawn up a SOP detailing the procedure for the processing of overtime requests and payment of overtime. The office of the DCS has adopted a monitoring role, reviewing HR, finance, and salaries systems.

To enhance audit trail, spot checks are being carried out within all the departments and directorates, to verify that procedures are being followed according to the SOP and pertinent regulations. An audit plan to address allowances and overtime in the entities falling within the remit of MFJ will come into effect next year.

Training on the computation of tax has been provided to staff at MFJ, including all departments, directorates, and entities.

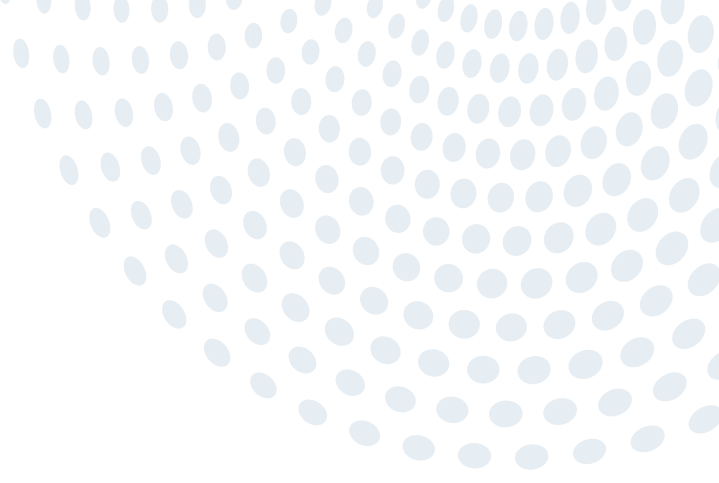
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Undated documentation</p> <p>Documentation supporting the payment of overtime and allowances is to be dated by the parties endorsing it, thereby enhancing audit trail and enabling external verification.</p> <p>Accepted</p>	<p>A Standard Operating Procedure (SOP) has been drawn up detailing the procedure for the processing of overtime requests and payment of overtime.</p> <p>The SOP, based on the Public Service Management Code and the Manual on the Computation of Salaries, has been approved and signed and disseminated to all employees concerned.</p> <p>Management is ensuring compliance.</p> <p>Officers working within the Accounts and HR Sections are carrying out two-layer verifications and ensuring that documentation supporting the payment of overtime and allowances is dated and stamped by the endorsing parties.</p> <p>To enhance audit trail, management has formulated an audit plan with timelines, featuring the departments where spot checks are being carried out, verifying that procedures adopted are according to the SOP and pertinent regulations.</p> <p>Internal discussions are being held regarding an audit plan to address allowances and overtime in entities falling within the remit of the Ministry for Justice (MFJ).</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>March 2023</p>
<p>Documentation provided either incomplete or not updated</p> <p>Data concerning employees, including staff lists, is to be continuously updated to reflect the current employment details.</p> <p>Accepted</p>	<p>Management is ensuring that staff lists are regularly updated, including progressions, appointments, terminations, on a monthly basis.</p> <p>A monthly employment return is received at the office of the Director for Corporate Services (DCS) from all sections and entities, and any changes effected are forwarded to the appropriate channels for necessary action each month.</p> <p>The office of the DCS has adopted a monitoring role, reviewing HR, Finance and Salaries systems to ensure that the necessary verification is being carried out.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>Timely feedback to queries raised will also avoid similar future occurrences.</p> <p>Accepted</p>	<p>Management makes every effort so that timely feedback to queries is submitted to the pertinent authorities.</p> <p>Capacity within the HR Department has been increased to cater for the substantial workload and to ensure adherence with established procedures.</p> <p>In-house training has been provided by the office of the DCS to the newly-recruited officers in the areas of procurement, finance and HR. This was followed by additional training at IPS.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, the Ministry is to invariably ensure that documentation provided for audit verification is duly vetted before submission, thereby ascertaining its accuracy and completeness.</p> <p>Accepted</p>	<p>Immediate action has been taken so that requests for information are duly vetted by the DCS office and endorsed by the Permanent Secretary before submission to the pertinent authorities.</p> <p>DCS office is carrying out regular spot checks on salary computations, and the pertinent SOP has been communicated to the officers concerned.</p> <p>The office of the Notary to Government has adopted a more efficient filing system, retaining copies of documentation for audit trail and for future reference.</p> <p>DCS office is ensuring compliance.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Lack of independent verification of overtime payments</i></p> <p>Adequate review of overtime is to be performed ahead of processing the respective payments.</p> <p>Accepted</p>	<p>Management is ensuring that verification of overtime is being carried out prior to effecting payments.</p> <p>Computations are being vetted by two additional officers, prior to processing for payment, to ensure segregation of duties.</p> <p>Regarding the issue highlighted by NAO, management confirmed that immediate remedial action was taken to address the discrepancy identified.</p> <p>Following a training-needs analysis the DCS office, in conjunction with the Institute for the Public Services (IPS), has carried out a training session for its employees on the Computation of Tax. This was addressed to all officers working within the DCS.</p> <p>A training plan has been drawn up for other departments and entities falling within the Ministry's remit.</p> <p>Training on the Computation of Tax was extended to all departments, directorates, and entities within MFJ.</p> <p>Training sessions on Discipline were held for all departments, directorates, and entities within MFJ.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>



MINISTRY FOR THE
**NATIONAL
HERITAGE, THE
ARTS AND LOCAL
GOVERNMENT**

(reported by the NAO under Ministry for Justice,
Culture and Local Government)



RESTORATION DIRECTORATE

PERSONAL EMOLUMENTS

The Restoration Directorate is the main Government entity responsible for the implementation and execution of restoration, rehabilitation, and conservation interventions on historical buildings. The Directorate also offers specialised assistance to various public entities and institutions, including Ministries, local councils, departments, agencies and non-Governmental organisations. It operates from its offices and workshops at the Ospizio Complex in Floriana.

The scope of the audit was to verify the adequacy of internal controls in relation to the calculation and payment of overtime and allowances during year 2020, as well as to verify whether the applicable regulations and provisions were being followed.

The staff at the Restoration Directorate was very cooperative and helpful during the audit of personal emoluments. The required documentation was readily made available upon request and replies to queries made by this Office were always supported by detailed

workings, explanations and/or documentation, as applicable.

Follow-up action

The National Audit Office (NAO) satisfactorily noted that all necessary certification and endorsements from various officers were in place. It was also noted that the pertinent regulations, circulars, guidelines, and agreements were duly followed. The internal control system for payroll was in place within the Directorate.

Furthermore, the NAO noted accountability, transparency, and overall good governance within the Restoration Directorate. Only minor issues were encountered, action on which was taken immediately to rectify the matters.

Given the good practice applied in this case, no follow-up action was required.



FESTIVALS MALTA

EXPENDITURE

Festivals Malta (FM), which previously formed part of Arts Council Malta (ACM), was established as an independent Agency in June 2019, by means of Arts Council Malta (Cap 542) Festivals Malta Agency (Establishment) Order, 2019 (LN 138 of 2019). The Agency's main objective is to create, maintain, organise, administer, and oversee the organisation and implementation of a portfolio of national and international cultural and artistic events, festivals, and cultural infrastructural projects.

The main scope of this audit was to determine the level of existing internal controls in relation to:

- revenue collection from the sale of tickets and the leasing of stalls
- procurement, ensuring that payments incurred for the organisation of national celebrations and music festivals were in line with pertinent regulations and circulars
- the appointment of individuals on a retainer fee, to ensure that valid agreements were in place; and
- minutes of meetings held, and honoraria paid to Board members.

The audit also sought to establish whether Government resources were used prudently and in a judicious manner.

The audit revealed that formal operating procedures outlining the organisation of events were not in place. Various shortcomings related to the procurement of professional services by direct order were also identified.

Follow-up action

To address the concerns raised by the NAO regarding the limitation in the ticketing system, FM started utilising the Visit Malta ticketing system which caters for robust reporting. Ticket sales are being monitored by the FM staff online and through onsite visits during the events.

FM has drawn up SOPs in relation to public procurement, administration procedures, and contract management. FM started holding internal meetings with events managers in advance to ensure that the most appropriate procurement method is adopted.

FM has limited the issue of permits for the lease of stalls to areas falling within its remit only, and all expressions of interest now include the number of stalls available for lease. Subsequently, FM is signing formal agreements with the winning bidders. FM has also drawn up an SOP in relation to the hiring of stalls.

FM signed agreements for the rent of five warehouses assigned to Carnival participants. FM has also signed grant agreements with Carnival companies.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATIONS ON SCOPE OF AUDIT		
<p>Tickets sold for Carnival events fell under three categories, namely gold, silver, and stalls. In view that no data was provided as to how many tickets from each category were sold, it was not possible to verify that the invoice raised by Festivals Malta (FM) in this respect to Kultura Malta was correct.</p> <p>Accepted</p>	<p>MHAL and MTA signed an MoU that will allow all Public Cultural Organisations (PCO) including FM to utilise the Visit Malta ticketing system.</p> <p>The ticketing system is being utilised for FM's events. This ticketing system caters for reporting and statistics, enhancing audit trail.</p> <p>Ticket sales are being monitored by FM staff through the system and also through onsite visits during the events.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>In line with the manual for setting the categorisation, classification and remuneration of Government-appointed boards and committees, remuneration payable to the Board of Directors is expected to be based on its categorisation and classification as established by the respective Permanent Secretary. However, queries raised by this Office on the subject matter were not acceded to; thus, remunerations paid during 2020 could not be verified.</p> <p>Accepted</p>	<p>FM is ensuring that remuneration payable to the newly-appointed Board of Directors is in line with the Manual for Setting the Categorisation, Classification and Remuneration of Government-appointed Boards and Committees. The respective audit trail is being maintained.</p>	<p>Ongoing</p>
KEY ISSUE		
<p>No standard operating procedures in place</p> <p>Standard operating procedures play a pivotal role, as these clearly explain the practices to be adopted by different committees in the organisation of successful events. Management is urged to draft a set of procedures, based on good practices, thus enhancing consistency and transparency.</p> <p>Accepted</p>	<p>FM has drawn up and circulated SOPs to provide guidance to all staff on public procurement and on administration procedures.</p> <p>Management is ensuring compliance.</p> <p>FM will draw up and circulate SOPs detailing the formal administrative and operating processes and procedures for the organisation of each event, the setting of ticket prices, and the parameters for issuing complementary tickets.</p> <p>Management will ensure compliance.</p> <p>FM will draw up a risk register that will provide preventive controls and corrective actions.</p> <p>To ensure consistency in the processes adopted, training is being provided to management and staff on a regular basis.</p> <p>After every event, FM holds a post-production meeting to carefully analyse the previous event.</p>	<p>Implemented</p> <p>Ongoing</p> <p>October 2022</p> <p>December 2022</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Bypassing of public procurement regulations</i></p> <p>Management is to ensure that procurement is invariably in line with procurement regulations.</p> <p>Accepted</p>	<p>Internal meetings are held with events managers in advance to ensure the right procurement method would be adopted.</p> <p>SOPs detailing the procurement procedures in line with the Public Procurement Regulations (PPR), to be used for events and artistic projects, has been drawn up and circulated to all staff concerned.</p> <p>Management is ensuring compliance.</p> <p>Staff concerned are attending procurement-related training courses.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Furthermore, the circumstances listed in MFIN Circular No. 3/2013 – ‘Public Procurement Regulations – Direct Orders’ and Procurement Policy Note No. 32, under which requests for direct order are justified, need to be eligible as basis for seeking approval for a direct order. Thus, as far as possible, Management is to procure services and supplies following a competitive procedure, to ensure a fair and transparent selection process. In exceptional cases, when procurement is made direct from the open market, prior approval from the Ministry for Finance is to be sought.</p> <p>Accepted</p>	<p>FM liaises with the Department of Contracts (DoC) and the Sectoral Procurement Directorate (SPD) to ensure that procurement in relation to tenders and calls for quotations (CFQs) is carried out in line with the current PPR.</p> <p>Direct orders are only resorted to in exceptional circumstances and once the necessary approvals and justifications are obtained in line with MFIN Circular 3/2013.</p> <p>An internal procurement plan will be drawn up by the end of each year. This plan will be reviewed and updated as required throughout the year.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>October 2022</p>
<p>In addition, contracts for service are to include clear details of the tasks expected to be carried out, as well as the number of working hours to be performed by the respective service provider. This will ensure transparency and value for money while also eliminating any possible disputes between both parties.</p> <p>Accepted</p>	<p>To ensure that all details are being included in the contracts, the Head of Festivals and FM’s legal professional are carrying out adequate checks and vetting prior to signing any contracts.</p> <p>FM is ensuring that new contract for services and any renewals of existing contracts include the specific duties and the number of required working hours.</p>	<p>Ongoing</p> <p>Ongoing</p>

CONTROL ISSUES

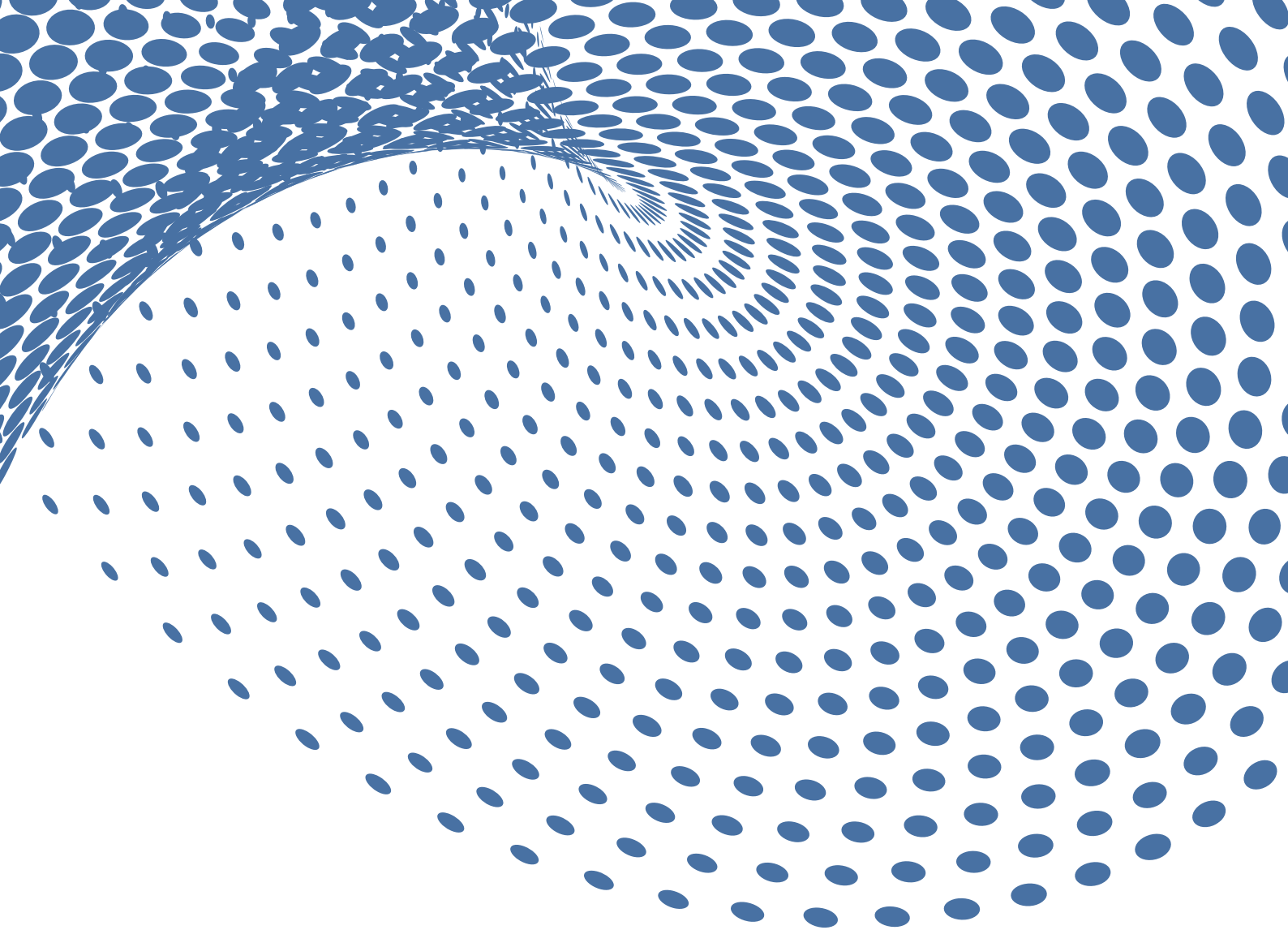
<p><i>Service providers remunerated over and above the fee disclosed in the agreement</i></p> <p>Management is to ensure that individuals are paid in line with the applicable contract for service.</p> <p>Accepted</p>	<p>FM is carrying out the necessary planning to ensure that specific details and conditions are clearly delineated and included in contracts.</p> <p>The Head of Festivals and Legal Advisor are vetting and certifying correct all invoices to ensure that payments are issued according to signed agreements.</p>	<p>Ongoing</p> <p>Ongoing</p>
	<p>SOPs detailing the contract management procedure, including variations and the retention of related documentation has been drawn up and circulated to all staff concerned.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>In addition, the respective service provider is to be asked for redress regarding the unduly charged VAT and recoup the amounts in question.</p> <p>Accepted</p>	<p>From internal investigation it transpired that the person referred to by the NAO had changed VAT taxable status from VAT exempt to taxable person. Hence, whilst payments following the change in status had to include VAT, no VAT was charged. This error was rectified, and VAT receipts were duly sent to FM as appropriate.</p>	<p>Implemented</p>
<p>Carnival event: Lack of substantiating documentation</p> <p>Management is urged to escalate this matter with the respective Permanent Secretary to have the necessary regulations in place to regulate the grants and prizes given to the participants.</p> <p>Accepted</p>	<p>Discussions are being held with the Carnival Committee to include a standard mechanism in the Carnival Regulations that regulates grants and prizes, which will be applicable for future carnivals.</p> <p>This standard mechanism will be included in an SOP and communicated to all staff concerned. Management will ensure compliance.</p>	<p>Implemented</p> <p>October 2022</p>
<p>Carnival event: Shortcomings in the organisation of the Carnival event</p> <p>Audit trails are key indicators of good internal controls. Hence, any decisions taken are to be documented and filed for future reference, as well as for audit purposes.</p> <p>Accepted</p>	<p>Permits to lease stalls has been limited only to areas falling under the FM's remit.</p> <p>Expressions of interests are now including the number of stalls available for leasing.</p> <p>FM is signing formal agreements with the winning bidders that include all regulations and requirements.</p> <p>Adjudication reports are being duly endorsed and filed.</p> <p>Spot checks are being carried out by FM staff. Reports detailing any findings are drawn up. These reports are being adequately filed.</p> <p>FM has drawn up SOPs detailing the whole process related to the hiring of stalls. The SOP has been communicated to all staff concerned.</p> <p>Management is ensuring compliance.</p> <p>FM is ensuring that all documentation is filed according to appropriate procedures.</p> <p>All attendance sheets at events are being verified by the HR and endorsed by the CEO.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Expenditure met out of public funds is to be substantiated by valid agreements and endorsed by all parties involved.</p> <p>Accepted</p>	<p>The case regarding payment for overtime to ACM was a one-off mishap due to the FM's change to an independent agency. No other overtime by ACM personnel will be performed during FM's events.</p> <p>FM signed agreements for the rent of five warehouses, assigned to Carnival participants.</p> <p>Recently, a number of carnival companies were evicted from their warehouses, and new grant agreements were signed with the respective Carnival companies affected by this eviction.</p> <p>FM is asking participants to procure a rent registration document from the owner, as required by pertinent legislation.</p> <p>FM will be commissioning an architect to carry out site visits to rented warehouses to provide a commercial value of rent per square meter. All grants for rent will be worked out accordingly.</p> <p>Once the works on the Carnival warehouses, forming part of the Culture and Arts Complex, is finalised, FM will assign new areas and sign agreements with the new occupants.</p> <p>Documentation, including valid agreements and endorsements, are being properly filed according to appropriate procedures.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>January 2023</p> <p>June 2024</p> <p>Ongoing</p>
<p>The bank guarantee mitigates certain inherent risks in case the selected bidder does not deliver up to the standards expected. Thus, Management is to ensure that, where necessary, bank guarantees are provided and renewed in due time.</p> <p>Accepted</p>	<p>New contracts signed with winning bidders are including the requirement to produce a valid bank guarantee.</p> <p>A procurement officer was assigned the duty to monitor performance guarantees and ensure that these are retained throughout the duration of the contract.</p> <p>The procedures for obtaining, monitoring and renewing of performance guarantees has been included in the contract management SOP and are part of the Contract Manager's duties together with the Procurment Officer.</p> <p>Management is ensuring compliance.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Limitations in the ticketing system</p> <p>The Agency is to discuss this issue with the ticketing system operator and identify actionable steps to address and rectify accordingly.</p> <p>Accepted</p>	<p>MHAL and the Malta Tourism Authority (MTA) signed an MoU that will allow all PCOs, including FM, to utilise the Visit Malta ticketing system.</p> <p>The ticketing system is being used for FM's events. This ticketing system caters for reporting and statistics, enhancing audit trail.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Delays in depositing proceeds from the sale of tickets</p> <p>Management is encouraged to initiate discussions with ACM to negotiate more favourable terms so that the timeframe is decreased to a minimum, in order for FM to enhance its cashflow position.</p> <p>Accepted</p>	<p>Discussions are being held with respective stakeholders to have shorter shows during carnival activities. In this manner, tickets will be sold for each show providing an improved audit trail of ticket sales.</p> <p>FM is using the Visit Malta ticketing system which caters for robust reporting. This system ensures that data is available in a timely manner to allow for reconciliations and depositing of funds at the appropriate time.</p>	<p>Implemented</p> <p>Implemented</p>
COMPLIANCE ISSUES		
<p>Boards and committees: Tax on remuneration paid to board members not in line with the legislation</p> <p>Emoluments are to be taxed according to income tax rules. Advice from the Commissioner for Revenue is to be sought if deemed necessary.</p> <p>Accepted</p>	<p>The issue of the payments to board members was rectified by FM's accounts section.</p> <p>The board honoraria payments are being included with the board members' yearly income and taxed at the appropriate income tax rate, according to their total income.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Boards and committees: Board Meetings not held at regular intervals</p> <p>Members appointed on the Board are expected to provide constructive contribution towards the attainment of the Board's objectives through regular meetings, as required in the terms of pertinent legislation.</p> <p>Accepted</p>	<p>Board meetings are being held monthly or more frequently according to necessity.</p> <p>Meeting minutes are being duly signed by the Chairperson and the Secretary of the Board and filed accordingly.</p> <p>The meeting minutes are indicating the time of commencement and adjournment, and the time and date of the subsequent meeting.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Proper set of financial statements not provided for audit purposes</p> <p>The Agency is expected to prepare a complete set of financial statements at the end of each year, clearly indicating the accounting policies used. These disclosures are important, especially when considering that certain accounting standards allow alternative treatments for the recording of the same transaction.</p> <p>Accepted</p>	<p>Following the issue of a call for tenders, FM have engaged a team of accountants and auditors.</p> <p>Audited financial statements for 2020 and 2021 have been finalised.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Statutory audit not carried out in a timely manner</p> <p>Audited financial statements are an indispensable tool to provide unbiased and objective assessment of whether the accounts show a true and fair view of the state of affairs. Thus, for the sake of good governance, Management is expected to comply with the reporting mechanism, in a timely manner.</p> <p>Accepted</p>	<p>FM has issued and awarded a tender for auditing services.</p> <p>FM is committed to present financial statements for 2022 and subsequent years by the stipulated deadline.</p>	<p>Implemented</p> <p>February 2023</p>
<p>Matching concept not applied</p> <p>Expenses incurred for the organisation of any activity are to be recorded in the same period in which the related revenue is recorded. This will ensure that any reported surplus or deficit is not distorted.</p> <p>Accepted</p>	<p>A contract for accounting and auditing services has been awarded following the publication of a call for tenders.</p> <p>Financial statements are being prepared in accordance with International Financial Reporting Standards.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Non-compliance with reporting requirements</p> <p>Standing regulations are to be invariably complied with.</p> <p>Accepted</p>	<p>SOPs in relation to standing regulations was issued and circulated to staff concerned.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Quarterly returns with details of fiscal defaulters are to be submitted to the VAT Department in a timely manner, as required by the applicable circulars.</p> <p>Accepted</p>	<p>FM has assigned an officer to compile and maintain a list of all invoices and related fiscal documentation.</p> <p>The VAT defaulters return is being submitted to the pertinent authorities on a quarterly basis.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Likewise, publications with respect to procurement are to feature within the stipulated timeframe.</p> <p>Accepted</p>	<p>FM is ensuring that contracts exceeding €5,000 (excl VAT) and variations exceeding 5% of the respective contract value are published biannually.</p> <p>FM is publishing the related procurement information in the Government Gazette in line with the PPR.</p>	<p>Ongoing</p> <p>Ongoing</p>



MINISTRY FOR **FOREIGN AND EUROPEAN AFFAIRS AND TRADE**

(report by the NAO as Ministry for Foreign
Affairs and Trade Promotion and Ministry
for European Affairs and Equality)

MINISTRY FOR FOREIGN AFFAIRS AND TRADE PROMOTION REVENUE

The main role of the Ministry for Foreign and European Affairs and Trade (MFET) is to ensure that Malta's foreign policy objectives are pursued, ascertaining active participation as necessary in policies, maintaining and enhancing Malta's relations with international organisations, participating in election observation missions, ensuring participation in regional fora and initiatives of direct relevance to the Mediterranean region, and promoting the enhancement of dialogue between the European Union and the Arab League. It also addresses poverty through Malta's Overseas Development Policy.

The main scope of the audit was to determine the level of internal controls over chargeable amounts as regulated by the legislation and the accounting of revenue due to Government. It was also ensured that the collection of revenue recorded under the two highlighted line items was being maximised.

The audit revealed that particular sections of the pertinent legislation were ambiguous; thus, fees were at times incorrectly charged by the Missions. Such inaccuracies were not always flagged by the Head Office, due to limited checking.

Follow-up action

To address the NAO concern regarding lack of staff, the Ministry engaged a Manager II and an Assistant Manager and issued a call for a Manager I. The Ministry is providing tailor made training to Missions' desk officers and diplomatic officers ear-marked to be deployed in Missions Abroad.

The Ministry has drawn up internal circular 30/2021, explaining distinct terms related to each type of service. To ensure compliance with this internal circular, the Missions' desk officers at Head Office are regularly carrying out random checks. The Ministry has also compiled a Manual of Procedures (MOP) that explains the procedures to be followed by Missions' desk officers at Head Office.

The Ministry has updated the Request for Service Form by adding tick boxes for all the services and the fees to be charged. To have an accurate audit trail, missions are also requested to write in detail the service provided in this form. The Ministry is carrying out random checks to ascertain that service forms are adequately filled.

The cashbook has been updated and the cash count form has been amalgamated with the cashbook. Cash counts are carried out and submitted to HO with the accounts on a monthly basis.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Lack of staff and no rotation of desk officers</p> <p>NAO acknowledges the difficulties encountered by Head Office (HO) in order to fill the vacancies following internal calls; however, the latter is to raise this concern with the respective Ministry.</p> <p>Accepted</p>	<p>The Ministry engaged a Manager II (Accounting & Finance) and an Assistant Manager (Accounting & Finance).</p> <p>The Ministry published a call for applications for the post of Manager I (Accounting & Finance).</p> <p>The Ministry is seeking approval from the P&SD to engage another Assistant Manager from the previous call.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Ideally, a particular officer would be responsible for the overall monitoring of the Missions and independently audit a sample of Missions each year.</p> <p>Accepted</p>	<p>To perform adequate monitoring and independent verifications on Missions Abroad, the Ministry published a call for applications for the post of Manager I (Accounts and Finance). One of the selected candidates will take on the role of a Missions' internal auditor.</p>	<p>Implemented</p>
<p>Gradual rotation of the Missions is also encouraged so that knowledge and competencies are shared. Rotation can be amalgamated with the change of post of duty of the Malta based officers, which normally occurs every 36 months.</p> <p>Accepted</p>	<p>Every two years, the Ministry will start rotating at least two missions for each desk officer at HO responsible for Missions Abroad.</p>	<p>January 2023</p>
<p>Limited checking by Head Office</p> <p>NAO reiterates that verifications by Head Office need to be strengthened, by carrying out proper checking and request the relative supporting documentation, as necessary.</p> <p>Accepted</p>	<p>Desk officers responsible for Missions Abroad were provided with customised training by IPS on the Financial Regulations, basic procurement methodology, verifications, and scrutiny of supporting documentation.</p> <p>The related processes and procedures are being communicated to the employees concerned by means of internal circulars.</p> <p>Malta-based officers (MBOs) earmarked to be deployed in Missions Abroad are being provided with training consisting of 33 modules, covering all processes.</p> <p>Once all three vacancies of Assistant Manager are filled, random monthly checks will be carried out.</p> <p>Reports on the status of accounts are being sent by Missions Abroad to the respective desk officer at HO regularly on a monthly basis.</p> <p>HO is requesting Missions Abroad to respond to queries and provide the required documentation by a set deadline. Disciplinary action is being taken against officers who fail to abide by this requirement.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>October 2022</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Lack of consistency when charging for services</i></p> <p>In order to avoid any possible misinterpretations, reference to these terms is to be clear and this differentiation is to be duly explained to all the Missions.</p> <p>Accepted</p>	<p>The Ministry has drawn up and circulated internal circular 30/2021 to all staff concerned, explaining distinct terms related to each type of service.</p> <p>HO staff is carrying out the necessary monitoring to verify that the internal policy is being adhered to. Monitoring is being recorded for audit trail purpose.</p>	<p>Implemented</p> <p>Ongoing</p>
<p><i>Legal Notice is ambiguous</i></p> <p>Clarification is to be sent to all Missions in order to ensure that the correct fees are being charged.</p> <p>Partially accepted</p>	<p>Legal Notice (221 of 2016) clearly distinguishes between authentication and legalising/attesting a signature. In accordance with this legal notice the fee for authentication is €25 whilst the fee for legalisation/attestation is €5. This distinction is also reflected in the internal circular 30/2021. The services vary due to the weight of the signature being provided by the officer and its use, as well as the process itself. Whilst in the process of attestation of a signature the individual would be right in front of the Consul, in the case of authentication, a signature of a professional or other government officer is used in front of an authority not within the jurisdiction of the issuing authority.</p> <p>The Ministry has drawn up and circulated internal circular 30/2021 to all staff concerned, clarifying the fees to be charged for the provision of each service. The circular was vetted by the Legal Unit prior to its circulation.</p> <p>Fees charged are being verified through random sampling.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>It is also expected to take the necessary corrective action when there are delays due to lack of compliance by merchants.</p> <p>Accepted</p>	<p>During the second scheme, late payment processing requests by merchants were not entertained and were not refunded for their unclaimed vouchers.</p>	<p>Implemented</p>

CONTROL ISSUES

<p><i>Fees not in line with legislation</i></p> <p>Officers in charge are to be well versed with the pertinent legislation, ensuring that all money due to Government is collected by the Missions.</p> <p>Accepted</p>	<p>Desk officers responsible for Missions Abroad were provided with customised training by IPS on the Financial Regulations, basic procurement methodology, verifications, and scrutiny of supporting documentation.</p> <p>A Manual of Procedures (MOP) has been compiled and circulated among employees. The MOP details the procedures to be followed by Missions' desk officers at HO.</p>	<p>Implemented</p> <p>Implemented</p>
<p>After seeking legal clarification, the Head Office is expected to monitor all Missions through adequate checking and alert them accordingly in case of irregularities and when the legislation is not followed.</p> <p>Accepted</p>	<p>The Ministry has drawn up and circulated internal circular No 30/2021 to all staff concerned, explaining each service and the related fees to be charged. Prior to circulation, the circular was vetted by the legal unit.</p> <p>The HO desk officers are regularly carrying out random checks to verify that the internal policy is being adhered to.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of audit trail in certain missions</p> <p>Adherence to internal regulations is solicited to ensure adequate control on the collection of revenue. This entails the compilation of the request for services form for each applicant, as stipulated in the Manual.</p> <p>Accepted</p>	<p>Prior to being posted abroad, all diplomatic officers are given a formal training programme consisting of 33 modules. One module focuses specifically on consular services and fees to be charged.</p> <p>The Ministry is ensuring that diplomatic officers adhere to the Manual of Financial Procedures for Missions Abroad.</p> <p>All Missions were instructed that when a service is requested, a service form must be filled in by the applicant. The officer must assign a consecutive serial number, include the receipt number and the tick the services provided on the form, as required by the pertinent Manual.</p> <p>Service forms are being checked randomly by desk officers to verify that they are properly filled. Errors or oversights are immediately communicated to the officer at the mission.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>Furthermore, when services are not provided by the Mission itself, for verification and control purposes, the foregoing is to request the respective Ministry to fill in the related form for each application received.</p> <p>Accepted</p>	<p>When the service is provided by a third party, the officers are requested to fill the Request for Services Form in terms of internal circular 30/2021.</p> <p>The Ministry is carrying out random checks to ascertain that service forms are adequately filled for all services provided, recording all revenue due to government.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Grouping of services in the application form</p> <p>The request for services form is to be updated, to clearly distinguish between authentication of certificates or documents and attesting a signature.</p> <p>Accepted</p>	<p>The Request for Services Form was updated and now features tick boxes for all the services provided.</p> <p>The Ministry is in discussion to create an online service form to replace the current form.</p> <p>Missions were informed to include as much detail as possible in the transactions and receipts fields of the Request for Services Form to achieve completeness and an accurate audit trail.</p>	<p>Implemented</p> <p>April 2023</p> <p>Implemented</p>
<p>Missions are also to be aware of such difference so that the correct fees are charged across the board.</p> <p>Accepted</p>	<p>The fees to be charged for each service have been included in the Request for Services Form.</p> <p>Mission desk officers are carrying random checks to ensure that required information is being filled correctly, recording all revenue due to government.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
COMPLIANCE ISSUES		
<p><i>Divergence from the financial regulations without the necessary approval</i></p> <p>Formal authorisation is to be obtained from the Permanent Secretary, Ministry for Finance, for any divergence from the regulations, clearly indicating the revised allowable limit, where applicable.</p> <p>Accepted</p>	<p>Circular no 12/2021 was circulated to all Missions, clearly indicating the amount of cash that can be retained according to the General Financial Regulations (GFR).</p> <p>In case of any necessary deviation from the GFR, all diplomatic staff were instructed to obtain formal prior authorisation from the Permanent Secretary (MFET) and Ministry for Finance and Employment (MFE).</p> <p>The Ministry will conclude a study to determine the most feasible amount of money each Mission should hold.</p> <p>Subsequently, approval from the Ministry of Finance will be sought on the basis of the outcome of the study and the pertinent Manual will be updated accordingly.</p>	<p>Implemented</p> <p>Implemented</p> <p>December 2022</p> <p>February 2023</p>
<p><i>No evidence of cash count</i></p> <p>All Missions are to perform at least a monthly cash count, evidence of which is to be submitted to the Head Office. This will identify any discrepancies between the actual cash held and the amounts reported in the cash book.</p> <p>Accepted</p>	<p>The cashbook has been updated and the cash count form has been amalgamated with the cashbook.</p> <p>Cash counts are carried out and submitted to HO with the accounts on a monthly basis as required by internal circular 12/2021. The cash count is endorsed by the Head of Mission and by the officer performing the cash count.</p> <p>The HO is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p><i>Service fee on website not updated</i></p> <p>The Information Management Unit and the Communications Coordinator are to be notified of the necessary updates to the website. The applicable fees levied in euro are also to be indicated in line with legislation.</p> <p>Accepted</p>	<p>For ease of reference, internal circular 30/2021 was uploaded on the Ministry's website with a link that directs the public to service fees available on the embassies' websites.</p>	<p>Implemented</p>



MINISTRY FOR EUROPEAN AFFAIRS AND EQUALITY

EXPENDITURE

The then-Ministry for European Affairs and Equality (MEAE) focused its efforts on ensuring that Malta's foreign policy objectives are pursued through active participation in the European Union's Common Foreign and Security Policy, together with other fora. It also aimed at reaching goals in the areas of civil liberties, equality and non-discrimination, as well as the integration of migrants.

The main scope of this audit was to ascertain that public funds were utilised in the best economical manner and for their intended purposes, in line with the provisions of prevailing Public Procurement Regulations (PPR) and applicable policies.

An audit of expenditure incurred by the MEAE was conducted with limitations on the scope of the audit

due to the lack of documentation available. Testing revealed instances whereby the PPR were not being observed.

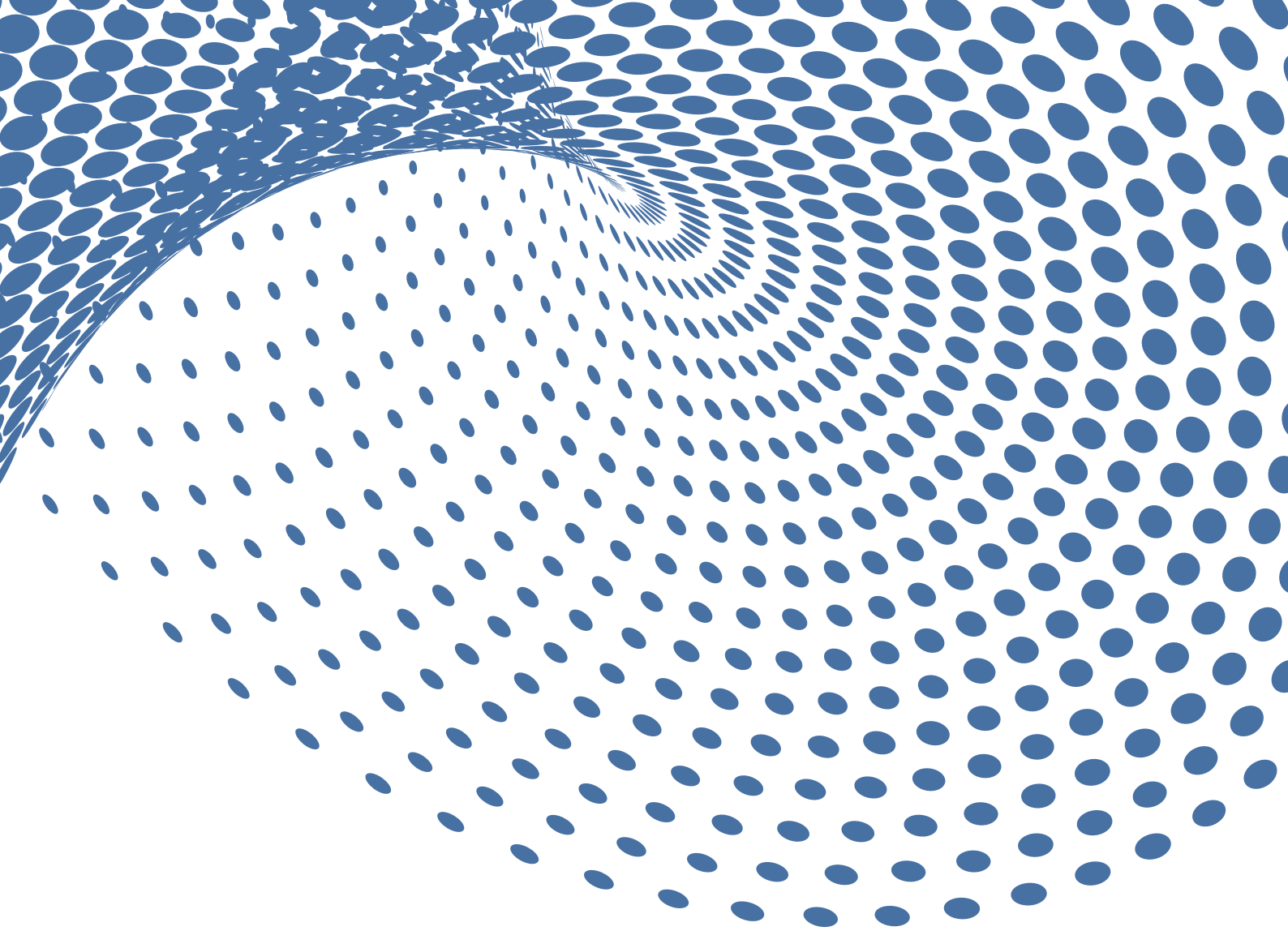
Follow-up action

To address the issues highlighted by the NAO, the Ministry has published tenders and awarded contracts for the provision of security and cleaning services. The Procurement Unit has been tasked with monitoring all contracts.

The Ministry is reviewing all payments effected in the last two years to ensure that VAT receipts have been sent. The Ministry is now registering its cars and recording all fuel consumption and expenditure in the Fleet Management System.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>Following the changes in the Ministerial reshuffle, key personnel who were previously responsible for procurement at the Ministry for European Affairs and Equality (MEAE) were transferred to other Ministries. Consequently, the National Audit Office (NAO) encountered problems in obtaining all documentation required for audit purposes. Out of the 24 sampled transactions, audit testing could only be performed in 17 cases (71%) and NAO had no option but to conclude the audit assignment accordingly.</p> <p>Accepted</p>	<p>During 2020, European Affairs Directorates, forming part of MEAE, were transferred twice to two different ministries. These circumstances caused difficulty for MFEA to provide the documentation required by the NAO.</p>	<p>N/A</p>
CONTROL ISSUES		
<p>Expired contracts</p> <p>Services provided by third parties are to be covered by contracts, duly signed.</p> <p>Accepted</p>	<p>The Ministry is ensuring that services provided by third parties, including cleaning and security services, are covered by signed and valid contracts.</p>	<p>Ongoing</p>
<p>The Ministries, which are still making use of the security and cleaning services are urged to rectify the situation and publish a call for tenders in line with standing regulations. This will also enable the respective Ministries to take ownership of the recurrent expenditure in relation to the services in question.</p> <p>Accepted</p>	<p>MFEA has published tenders for the provision of security and cleaning services.</p> <p>Following the respective evaluation process and the award of tenders, contracts setting out terms and conditions were signed with both service providers.</p> <p>Contract management for these services, including ensuring adherence to the provisions of the contract and effecting an extension to the contract before it expires, is being carried out by the Infrastructure and Security Unit and the Procurement Unit, the latter carrying monitoring of all contracts.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
COMPLIANCE ISSUES		
<p>Fiscal receipts not submitted</p> <p>Officers in charge are to ensure that fiscal receipts are attached to the respective payments made to service providers.</p> <p>Accepted</p>	<p>MFEA is ensuring that all payments are covered with fiscal documentation.</p> <p>The Ministry is reviewing all payments for the last two years to ensure that VAT receipts have been sent.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>In cases where suppliers fail to adhere to VAT regulations, defaulters are to be reported to the VAT Department.</p> <p>Accepted</p>	<p>In the absence of fiscal documentation, all defaulters are being reported to the pertinent authorities on a quarterly basis, including nil returns.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Standing regulations for government vehicles by Dar Malta not followed</i></p> <p>For the sake of completeness and good practice, Government vehicles are to be included in the pertinent system upon acquisition, in accordance with the Manual directives.</p> <p>Accepted</p>	<p>The Ministry is registering its cars in the Fleet Management System (FMS).</p> <p>The Ministry monitors the FMS regularly to verify that newly purchased cars have been registered in the FMS.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Moreover, fuel purchased is also to be recorded thereon. Guidance in this regard is to be obtained accordingly in case of necessary divergence by any of the Missions.</p> <p>Accepted</p>	<p>Missions' Staff were informed during a training session on the system in November 2020 that all fuel consumption and expenditure must be recorded in FMS.</p> <p>Head Office is monitoring the FMS to ensure that all fuel consumption and expenditure is recorded in the system.</p>	<p>Implemented</p> <p>Ongoing</p>



MINISTRY FOR **PUBLIC WORKS AND PLANNING**

(Reported by the NAO as Ministry for Transport,
Infrastructure and Capital Projects)



MINISTRY FOR TRANSPORT, INFRASTRUCTURE AND CAPITAL PROJECTS

STORE ITEMS

The main priority of the Ministry for Transport, Infrastructure and Capital Projects (MTIP) is to improve the quality of life of Maltese and Gozitan people by means of sustainable development, a revolution in infrastructure, innovative projects, efficient transport and continuous evolution.

The two main stores falling under the responsibility of the Ministry are located at Mriehel and Kordin. At the former, construction material is kept. At the latter, stocks mainly consist of tools, hardware, and raw materials used by the Manufacturing and Services Directorate personnel to perform tasks, comprising amongst others, carpentry, electrical and maintenance works.

The main purpose of this audit was to assess the level of existing internal controls over stores, determine whether stock control management was adequate and in line with pertinent regulations and establish whether stock movement was recorded on the new accrual accounting software package, mainly the Corporate Financial Management Solution (CFMS).

The audit revealed a lack of control on stock management.

Follow-up action

The MPWP was advised that it was not feasible to integrate stock control of items held for manufacturing in the CFMS as the jobbing function does not feature on the CFMS stock control module. As an alternative, MPWP resorted to stock-taking in ledgers. All records are being filed and retained to ensure proper audit trails. MPWP is also ensuring that a monthly reconciliation exercise is carried out between stock records and physical stocks. The staff capacity was increased to assist with the stores' administration.

A standard operating procedure (SOP) detailing the procedures for stores and stock-taking, stock-control and writing-off obsolete items has been compiled and communicated to all officers concerned. MPWP also provided the required training to all officers concerned.

The management is ensuring compliance with statutory requirements by providing timely, reliable, and accurate information.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Stock movement not recorded in the Accrual Accounting System</p> <p>MTIP is to make the necessary arrangements for the proper migration to the new accrual accounting system and the full use of its stock control application.</p> <p>Otherwise, MTIP would not be in a position to provide a complete set of financial statements that reflect, amongst others, the current stock levels held at each store.</p> <p>Partially accepted</p>	<p>MPWP contacted the Treasury regarding the possibility to migrate its stock control in the CFMS. The Treasury replied that it was not feasible for MPWP stock to be integrated in the CFMS due to the particular nature of the stock held for manufacturing, as the jobbing function was not available on the CFMS stock control module.</p> <p>As an alternative, MPWP has adopted a system where stock-taking is accounted for in ledgers. All records are being filed and retained to ensure a proper audit trail and for future reference.</p> <p>MPWP provided the required training to all stock-taking staff.</p>	<p>Implemented</p> <p>Implemented</p>
<p>In the interim period, assistance may be requested from the Malta Information Technology Agency, to temporarily export its stock records onto a new platform or database until the issues with the new system are resolved.</p> <p>Accepted</p>	<p>Ledgers are being used to account for stock-taking after training sessions were provided to stock-taking staff.</p> <p>A Manual of Procedures, including the SOPs detailing stores and stock-taking, has been compiled.</p> <p>The Manual of Procedures has been approved and communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>MTIP is also encouraged to persevere with staff recruitment, to assist with the stores' administration.</p> <p>Accepted</p>	<p>MPWP reinforced the staff capacity at the Mriehel Stores by increasing the complement to five officers.</p> <p>Stores officers are responsible for all the administrative and office duties related to Mriehel Stores. Their duties include the issuing of the Stores Issue Form. They are also responsible for restocking, the re-arrangement of the stores, and the updating of the stock control forms to provide a paper trail on the movement of items issued from the stores.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Stocktakes not carried out</p> <p>Basic control procedures require that adequate stock records are in place and updated regularly to ensure accountability.</p> <p>Accepted</p>	<p>The management has compiled an SOP for both Kordin Stores and Mriehel Stores.</p> <p>The SOP has been approved and communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p> <p>Training on stock-taking, writing-off procedure, discrepancies between balances, and ethics at the workplace, was provided to all employees at both stores.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>These are to be reconciled to physical stock at least annually. This is even more important at this stage when MTIP is in the process of transitioning to the accrual accounting system.</p>	<p>MPWP is ensuring that monthly reconciliation between stock records and physical stock is carried out by checking stock levels against bin cards whenever stock was issued or replenished.</p>	<p>Implemented</p>
<p>Accepted</p>	<p>A monthly reconciliation report is drawn up and forwarded to the Director Public Works Department (PWD) for endorsement.</p>	<p>Implemented</p>

CONTROL ISSUES

<p>Insufficient security</p> <p>Access beyond a certain point must be restricted to authorised persons.</p>	<p>A counter was installed in Store 1 at Kordin Stores. In the sub-store, a counter is not required due to the large raw materials and the restriction of space.</p>	<p>Implemented</p>
<p>Accepted</p>	<p>A counter is to be installed in one of the stores at Mriehel Stores. A counter in the other store is not required due to the bulky material stored and, consequently, access by a forklifter would be hindered.</p>	<p>December 2022</p>
<p>MTIP is to take immediate action and implement security measures at both stores in order to strengthen controls and mitigate the risk of possible intrusion and theft.</p>	<p>A CCTV camera system was installed at the Mriehel Stores.</p>	<p>Implemented</p>
<p>Accepted</p>	<p>MPWP will publish a tender for the procurement of a CCTV camera system at Kordin Stores.</p>	<p>December 2022</p>
<p>Lack of documented standard procedures</p> <p>The Ministry is to ensure that a set of stock control procedures is drawn up, clearly defining how stock records are to be maintained and items handed out. This will control access to stores, in order to mitigate associated risks, as well as to safeguard the stock held.</p>	<p>An SOP has been drawn up for both Kordin and Mriehel Stores to ensure that stock control procedures are being followed in order to mitigate associated risks, as well as to safeguard the stock held.</p>	<p>Implemented</p>
<p>Accepted</p>	<p>The SOP has been communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p> <p>A related training session was held for all employees at both stores to reduce risks.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>Inadequate storage facilities and upkeep</p> <p>Kordin Stores</p>	<p>Plans are in place so that the stores that are currently in containers at Kordin will be relocated.</p>	<p>December 2024</p>
<p>MTIP is to ensure that all stock at both stores is kept in a well-preserved manner, to be usable when required.</p> <p>Accepted</p>	<p>In the meantime, MPWP is making every effort to preserve the stores in a safe manner.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The Ministry is also to liaise with the respective authorities in order to further progress with fruitful discussions, aiming at obtaining the necessary permits which will enable adequate storage space at Kordin to increase.</p> <p>Accepted</p>	<p>A tender for the construction of a new store at Kordin is planned to be published.</p>	<p>March 2023</p>
<p>The foregoing store is expected to be adequately equipped in accordance with health and safety directives.</p> <p>Accepted</p>	<p>MPWP confirms that all compliance requirements with regard to health and safety are included in the site plans for the construction of the new store at Kordin.</p> <p>In the meantime, a health and safety team and resources are in place.</p>	<p>March 2024</p> <p>Ongoing</p>
<p><i>Mriehel Stores</i></p> <p>MTIP is to tackle the dumping issue at Mriehel stores and discuss how the surplus material can be used or written off and disposed of.</p> <p>Accepted</p>	<p>A Board of Survey was formed to address the dumping issue at Mriehel Stores and items which were declared not fit for use have been written off and disposed of.</p> <p>The construction material in the external area was sorted and quantified.</p>	<p>Implemented</p> <p>Implemented</p>
<p>It is advisable to establish a formal policy defining reusable procedures, to mitigate recurrence of accumulating used stock. In this regard, the proposals made by the Board of Survey in December 2020 are considered a step in the right direction.</p> <p>Accepted</p>	<p>MPWP is compiling a document listing the material and quantities currently stored at the Mriehel Stores.</p> <p>Subsequently, all architects will be instructed to utilise material from the accumulated stock.</p>	<p>December 2022</p> <p>December 2022</p>
<p>Moreover, adequate planning of projects is important to ensure that material requisitions do not excessively exceed actual requirements, thus preventing unnecessary long-term storage, as well as safeguarding public funds.</p> <p>Accepted</p>	<p>The management is ensuring that monthly stock-taking is carried out.</p> <p>On the basis of the monthly stock-taking, orders are being quantified accurately avoiding excessive waste.</p> <p>MPWP issued an internal memo to draw the attention of all concerned that material requisitions are not to excessively exceed the actual requirements so that discrepancies are kept to a minimum.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>Stock item values not reliable or not available</p> <p>MTIP is to accelerate, as much as possible, the introduction of the stock control module of CFMS in order to improve its stock recording system and eliminate problems arising through the use of an outdated application. This will also assist the Ministry when preparing the financial statements, to provide reliable and accurate information.</p> <p>Partially accepted</p>	<p>MPWP contacted the Treasury regarding the possibility to migrate its stock control in the CFMS. The Treasury replied that it was not feasible for MPWP stock to be integrated in the CFMS, due to the particular nature of the stock held for manufacturing, as the jobbing function was not available on the CFMS stock control module.</p> <p>Stock training sessions were held for employees at the Kordin and Mriehel Stores to ensure the provision of reliable and accurate information to be used by the Ministry when preparing financial statements.</p> <p>MPWP has adopted a system where monthly stock takes are filed and sent to the respective directors to monitor stock movements.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
COMPLIANCE ISSUES		
<p>Statutory stocktake not performed</p> <p>Management is to ensure that entrusted officers are responsible for compliance with statutory requirements.</p> <p>Accepted</p>	<p>The management at both stores is ensuring that, through the engagement of five additional employees responsible for stock, the training sessions held, and the drawing up of the SOP, entrusted officers are compliant with statutory requirements.</p>	<p>Ongoing</p>
<p>Including the annual submission of information to NAO and Treasury in accordance with the pertinent circular directives.</p> <p>Accepted</p>	<p>MPWP is ensuring that monthly returns are compiled and that annual returns will be submitted to the NAO and the Treasury in accordance with the pertinent circular directives.</p>	<p>February 2023</p>
<p>Obsolete items stored for lengthy period</p> <p>Adherence to the prevailing circular outlining stock control procedures is to be observed.</p> <p>Accepted</p>	<p>The SOP includes stock control procedures, including the procedure for writing-off obsolete items.</p>	<p>Ongoing</p>
<p>In particular, the stock condition is to be assessed and classified as stipulated when the stocktake is performed, preferably at year-end.</p> <p>Carrying out this procedure annually will reduce the quantity of items stored and which take up limited space unnecessarily.</p> <p>Accepted</p>	<p>The management at both stores is ensuring strict compliance with the SOP by all employees concerned, including when encountering cases of obsolete and unserviceable stock.</p>	<p>Ongoing</p>



ENERGY PERFORMANCE CERTIFICATES

REVENUE

The Building and Construction Agency (BCA) was established in 2019 in accordance with the Building and Construction Agency (Establishment) Order, 2019 (LN 192 of 2019). It is responsible for the design, implementation, and dissemination of policies, together with the consolidation and review of laws and regulations, in the form of a national building code. The Agency is authorised to collaborate with other agencies, corporations, authorities, government and non-government entities, and other persons for the carrying out of its functions, as well as the necessary preparations for the setting up of the Building and Construction Authority. Without such active collaboration on the part of these third parties, it is extremely difficult for the Agency to carry out its mandate and eventually meet the targets established by the European Union.

One of the roles of the Agency is to issue an Energy Performance Certificate (EPC) that gives a rating on the energy efficiency of a building. Since 2012, an EPC became obligatory for property, either newly built, used for rental purposes, or subject to a transfer between one person and another.

The main purpose of the audit was to determine whether the necessary level of internal controls was in place to ensure the collection of revenue due to BCA, which is then handed over to the central government.

The audit revealed a weak control environment. There was also a lack of audit trails from the respective application to the final stage when the certificate is issued, especially when involving property that required approval from the Planning Authority (PA) and properties used for rental purposes. In such cases, the Agency is constrained by the lack of legislative provisions which make these certificates mandatory.

Follow-up action

The BCA is planning to introduce a system where a PA applicant would be required to commission an Energy Performance Certificate (EPC) prior to obtaining an executable permit. When the system is in place EPCs would be undertaken in a timely manner and no backlogs would result from new PA applications.

The BCA is holding discussions with all stakeholders to propose and push forward amendments in laws regulating different government entities, to address lacunas in the EPC procedure.

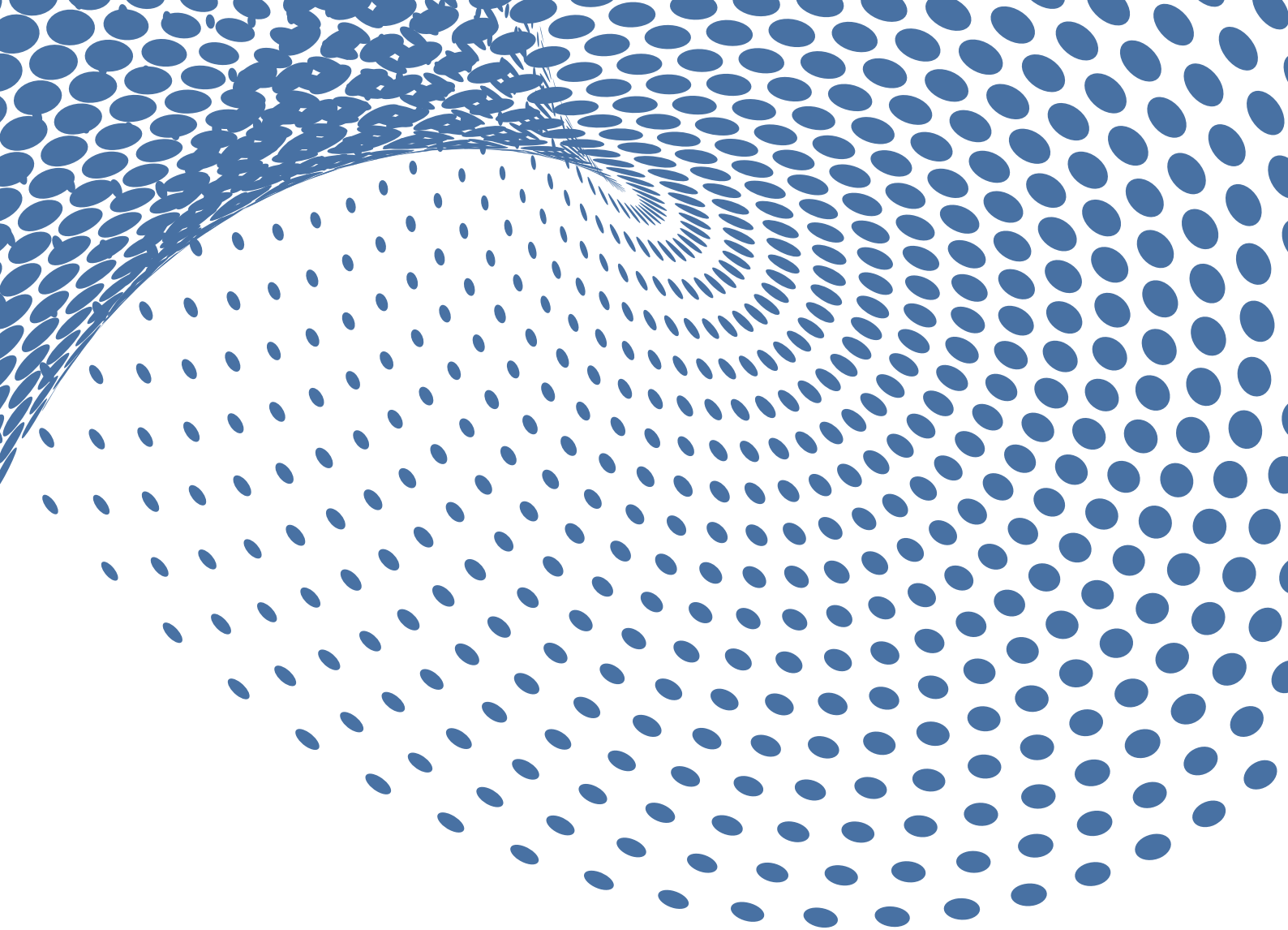
Until the new IT infrastructure is in place, the BCA implemented modifications to the existing EPC software to address important gaps in the information it holds and to ensure traceability between the EPC and the PA permit.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATIONS ON SCOPE OF AUDIT		
<p>BCA did not have a record of the Energy Performance Certificate (EPC) applications and the details of the respective certificates. Since the process to identify those cases that needed a certificate, or otherwise, was done manually, this was time consuming. According to the Agency, only one person handles this task and has a back log of four years as detailed in the observations below. This hindered the planned verifications in this respect.</p> <p>According to the Agency, it does not have the human resources necessary to check that lessors are in possession of an EPC for all rented property; thus, a list of rented property was not available. Consequently, testing in this regard could not be carried out.</p> <p>Accepted</p>	<p>The Building and Construction Authority (BCA) has presented its HR Plan for the years 2021-2025, including the setting up of a Building Performance Team to be fulfilled by end of year 2024.</p> <p>Three officers from within the BCA have been trained and reassigned duties at the Energy Performance Certificates Section to help with populating the EPC database.</p> <p>Document 'F'—technical guidelines for professionals—has been reviewed to align its contents with the latest EU standards.</p> <p>The draft review of Document 'F' was published for public and technical consultations within the Building Industry Consultative Council (BICC).</p> <p>The final review of Document 'F' is to be submitted to the EU Commission for approval.</p> <p>After conducting a preliminary market consultation to determine the type of software that most suited the needs of the BCA, the Authority is to publish a tender for the procurement of an information technology system to automate and facilitate the issuance of the EPC.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>December 2022</p> <p>December 2022</p>
<hr/>		
<p>Weak control environment</p> <p>BCA is to step up its internal controls to ensure that it is capable of enforcing timeframes and penalties as and when applicable.</p> <p>Accepted</p>	<p>BCA launched an action plan for human resource capacity of the Building Performance Team, aiming for a structure that enables timely management and operations of its full remit according to planned timeframes by February 2023.</p> <p>BCA will be introducing new operating processes which will allow the authority to ensure that an EPC is issued as requested by law and in line with EU standards. These processes require amendments to a number of acts and an investment in IT.</p> <p>A call for tenders for the procurement of an Enterprise Resource Planning System (ERP) is to be issued.</p> <p>The ERP is a digitised system, consisting of a document management system and business intelligence reporting. When the system starts operating, information gathered from other entities, such as the Planning Authority (PA), could be compared with BCA's databases and irregularities in the EPC system could be identified and action taken accordingly.</p>	<p>Implemented</p> <p>June 2023</p> <p>December 2022</p> <p>June 2023</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of audit trail</p> <p>BCA is encouraged to invest in a secure and reliable IT system that will enable a complete audit trail; from when a PA number is identified to when the EPC is issued and registered in the system. Having in place a duly updated system will render the process more efficient and effective.</p> <p>It will also show the status of each and gives an alert when a notification.</p> <p>Accepted</p>	<p>As a temporary measure, BCA implemented modifications to the existing EPC software to address important gaps in the information it held and to ensure traceability between the EPC and the PA permit.</p> <p>Assessors have been informed of the changes and advised on how to manage the modifications.</p> <p>A new EPC algorithm in line with new EU standards was requested by the BCA and is being designed by the University of Malta (UoM).</p> <p>A call for tenders is to be published for the procurement, testing, and commissioning of a new software solution which implements the results of the exercise carried out by UoM.</p> <p>BCA conducted preliminary market research for a Building Passport Information Repository which will retain all the information relating to a building.</p> <p>A call for tenders is to be issued for the procurement of a Building Passport Information Repository.</p> <p>The BCA is to organise a course for interested parties who, upon successful completion, will qualify to perform energy performance assessments.</p>	<p>Implemented</p> <p>Implemented</p> <p>December 2022</p> <p>October 2023</p> <p>Implemented</p> <p>December 2022</p> <p>November 2022</p>
<p>Backlog in Planning Authority applications to be analysed</p> <p>BCA needs to find the resources to come up to date with all PA applications, so that the necessary follow-up on the required EPC is done on time.</p> <p>This might enable the applicant to make the necessary changes upon the assessor's recommendations if they prove to be worth the energy saving procedures.</p> <p>Accepted</p>	<p>BCA signed a Memorandum of Understanding (MoU) with the PA, addressing multiple fronts, including a strategy to address the shortcomings in the EPC procedure.</p> <p>As part of its action plan, discussions are being held with all stakeholders to propose and push forward amendments in laws regulating different government entities, such as the Planning Authority, Housing Authority, Malta Tourism Authority, Lands Authority, Commissioner of Revenue, and Central Bank of Malta, to address lacunas in the EPC procedure.</p> <p>In the interim, discussions are also being held with all stakeholders to execute MoUs to identify those processes which can be modified without the need to await amendments to legislation so as to establish a proper control mechanism related to EPCs.</p> <p>BCA analysed data gathered from the PA, the Housing Authority, and the Land Registry and correlated it with the EPC system to identify missing information.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
	Discussions are being held with the Malta Developers Association on the possibility of launching an educational and awareness campaign addressed to real estate agents and developers on the importance of attributing a rating to the EPC.	Ongoing
<p>Issues with the submission of notification letters</p> <p>Once a proper system is in place, the PA number can be used to track whether an EPC has been issued or not.</p> <p>PA applications which are pending an EPC would be easily established so that notification letters will only be sent accordingly to the respective individuals.</p> <p>Accepted</p>	<p>With the introduction of a system where a PA applicant would be required to commission an EPC prior to obtaining an executable permit, EPCs would be undertaken in a timely manner and no backlog would result from new PA applications.</p> <p>The planned ERP system will provide an audit trail from the planning stage until a final EPC is issued. Thus, irregularities in the EPC system could be identified and timely action taken accordingly.</p>	<p>October 2023</p> <p>October 2023</p>
<p>Reminders can also be automatically generated from the system, thereby eliminating human error and freeing time to allow for more EPC assessments to be carried out.</p> <p>Accepted</p>	<p>Once the required amendments to legislation regulating a number of government entities have been effected, and the relevant IT systems are in place and synchronised with the IT systems of the Planning Authority, Housing, and Ministry of Tourism, automated reminders would be generated and sent to applicants to obtain an EPC.</p>	<p>October 2023</p>
<p>No control on compliance vis-à-vis certificates required for rented property</p> <p>BCA should step up action with regard to the verifications of the compliance aspect of property rentals in order to ensure that what is due to Government is received.</p> <p>This cannot be achieved without the full cooperation of the various entities concerned, possibly through the promulgation of the necessary legislative provisions to make such certificates mandatory.</p> <p>Accepted</p>	<p>BCA is liaising with the Housing Authority (responsible for registration of private residential rental agreements) and the Malta Tourism Authority (responsible for private commercial leases), as well as with the Lands Authority and Joint Office (regarding leases of government property), so as to establish a proper control mechanism for related EPCs.</p> <p>A legal notice under the BCA Act is to be introduced whereby the BCA can request information from the MTA.</p> <p>The EPC will be requested by the MTA prior to the registration of a property for short-let purposes.</p> <p>The Housing Authority will require a valid EPC to register a property for rental purposes. Furthermore, in the case of renewals, the Housing Authority will start requesting an EPC where there is none available.</p> <p>In cases of sale/renting out of property owned by the Housing Authority, the Lands Authority and the Joint Office, these entities will ensure that prior to entering into a rental or sale contract a valid EPC is commissioned.</p>	<p>Ongoing</p> <p>December 2022</p> <p>Implemented</p> <p>Implemented</p> <p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>No formal agreement with the Notarial Council and commercial banks</p> <p>Since so much reliance and cooperation is being placed on notaries and commercial banks, BCA is to formalise its verbal understanding with the entities concerned, to ensure compliance.</p> <p>Accepted</p>	<p>With a view to maximise compliance, the BCA is communicating with the Notarial Council to clarify and, if necessary, formally agree on the way forward and formulate an MoU with a view to introducing the EPC as a mandatory requirement for the registration of contracts of sale.</p> <p>The BCA issued a Letter of Understanding to notaries, drawing attention to their obligation to observe the Energy Performance Buildings Regulations (SL 513.01) vis-à-vis the EPC.</p> <p>The BCA is in discussion with all commercial banks regarding the requirement of the EPC in the circumstances established by law.</p> <p>The BCA proposed that a provision is included in the Central Bank of Malta Act, whereby a sanction letter is issued by a commercial bank leading to a purchase of a property or major renovation, only upon the presentation of a valid EPC.</p>	<p>October 2022</p> <p>Implemented</p> <p>Ongoing</p> <p>March 2023</p>
<p>No penalties for lack of compliance</p> <p>The purpose of an enforcement fine is to encourage individuals to abide with laws and regulations. NAO opines that the process should be enhanced to ensure that effective enforcement is in place and the necessary fines are imposed.</p> <p>Accepted</p>	<p>Once the business intelligence report is in place, cases of non-compliance will be triggered automatically and the BCA will be able to ensure enforcement according to law.</p> <p>The BCA is in agreement with the MCCA to conduct audits on commissioned EPCs, ensuring good governance by BCA assessors.</p>	<p>June 2023</p> <p>Ongoing</p>
<p>No segregation of duties</p> <p>It is advisable to exploit the advantages of an IT system, in order to reduce the manual work, simplify the process and mitigate human error.</p> <p>Such a system will indicate whether a property owner has carried out the required EPC, when a notification letter needs to be submitted, and also indicate any fines which may be charged following which certain applications will automatically be flagged for the necessary certificates.</p> <p>In the beginning of the process, the reason for a PA application can be chosen from a drop-down menu, thus, reducing the number of applications required to be reviewed to identify whether an EPC is needed in the first place.</p> <p>Accepted</p>	<p>When the IT infrastructure and appropriate legislation are in place, manual work will be minimal and the system will indicate whether a property owner has obtained an EPC, whether a notification letter needs to be submitted, and also indicate any fines which may be charged, following which certain applications will automatically be flagged for the necessary certificates.</p> <p>In the interim, the EPC Section has been reinforced with the addition of two officers to address the issue of segregation of duties which had previously been managed by one officer.</p>	<p>June 2023</p> <p>Implemented</p>



MINISTRY FOR
GOZO



UPGRADING OF ST FRANCIS SQUARE

CAPITAL EXPENDITURE

In 2016, the Ministry for Gozo (MGOZ) embarked on a project to regenerate one of the main open spaces in Victoria, namely St Francis Square. The plan also included the building of steps and a passenger lift to link the area to the bus terminus.

The main purpose of the audit was to verify whether procurement procedures adopted were in compliance with the Public Procurement Regulations (PPR), as well as other applicable circulars. The National Audit Office (NAO) also sought to determine the level of existing internal controls over the expenditure incurred. The reliability and adequacy of information available for decision-making and accountability purposes was also considered.

The audit revealed various shortcomings in the contract management pertaining to the capital project.

Follow-up action

MGOZ has drawn up and reviewed a number of standard operating procedures (SOPs), including those covering the procurement process and the project management process to ensure consistent adherence to the PPR and the proper management of projects. The management is ensuring that all documentation related to procurement and contracts is documented and filed for future reference.

Staff is being provided with the necessary training on procurement on an ongoing basis. The management is ensuring that all procurement is carried out in line with the PPR. Direct orders are only resorted to in exceptional circumstances. MGOZ has drawn up a procurement risk register, which is regularly updated to address any shortcomings in the procurement process.

To mitigate flaws in the evaluation process of tenders, training in the drafting, processing and evaluation of tenders is being provided regularly to officers on evaluation duties.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p><i>Extension to the works contract not covered by agreement</i></p> <p>All project work extensions are to be authorised through addenda to original agreements, which are to be signed by both parties prior to the execution of work; hence, ascertaining the contractor's obligations and safeguarding the taxpayer's interest.</p> <p>Accepted</p>	<p>The Ministry for Gozo (MGOZ) has drawn up a standard operating procedure (SOP) detailing that requests to the attention of the General Contracts Committee (GCC) are to be sent two months prior to the expiry of the existing contract to ensure that approval for the extension of the contract by GCC is obtained in a timely manner. The SOP was circulated to all employees concerned.</p> <p>The management is ensuring compliance.</p> <p>The Information Management Unit (IMU) procured a project planning system which includes a feature to prompt a reminder when a contract is due to expire.</p> <p>The SOP was reviewed to include the whole process related to project management.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p><i>Incomplete documentation</i></p> <p>Management is expected to strengthen the administration of contracts by ensuring that all documentation is collected in a timely manner and filed for future reference.</p> <p>Accepted</p>	<p>MGOZ has drawn up an SOP detailing the procurement process. The SOP was communicated to all officers concerned.</p> <p>The management is ensuring that all documentation is filed by project name and that it is collected in a timely manner and retained for future reference.</p> <p>The technical team within MGOZ was complemented with two managers to support the technical staff in the implementation and administrative management of projects.</p> <p>MGOZ has provided training on procurement (in-house and through IPS) to all officers concerned.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>

CONTROL ISSUES

<p><i>Retention money not deducted</i></p> <p>Management is to ensure that retention money is duly deducted from the value of works paid to safeguard Government's interests and guarantee the contractor's obligations.</p> <p>Accepted</p>	<p>MGOZ is ensuring that the Projects Unit verifies interim certificates against the pertinent contract. Subsequently, the certificates are also being verified by the accounts section.</p> <p>MGOZ has reviewed the SOP detailing the procedure to be followed regarding retention money.</p> <p>Regarding the issue highlighted by the NAO, MGOZ had acted proactively before the audit was carried out by the NAO. As soon as the error had been detected, MGOZ took immediate action to withhold the money due from the fourth payment.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings related to the engagement of professional services</p> <p>Procurement is to be made in line with standing regulations; thus, goods and services above the established Public Procurement Regulations (PPR) threshold of €10,000 (VAT excl) are to be invariably acquired following a public call for tender.</p> <p>Accepted</p>	<p>MGOZ is ensuring that goods and services above the established PPR threshold are acquired following a public call for tenders.</p> <p>MGOZ ensuring that direct orders are only resorted to in exceptional circumstances and in line with the pertinent regulations.</p> <p>Regarding the issue highlighted by the NAO, considering the nature of the services required, an extension of contract (based on negotiated procedure) was the most advantageous option from a technical, financial, and logistical point of view.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>In exceptional cases, where it is necessary to purchase direct from the open market, prior approval from the Ministry for Finance is to be obtained.</p> <p>Accepted</p>	<p>MGOZ ensuring that whenever it is necessary to purchase directly from the open market, prior approval is invariably sought from the MFE in line with the PPR.</p> <p>In this particular instance, prior approval had been sought from MFE.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>Shortcomings during the evaluation process of the main tender</p> <p>Management is to ascertain that all necessary information is included within the published tender document to facilitate the respective evaluation of submissions.</p> <p>Accepted</p>	<p>Training in the drafting, processing and evaluation of tenders is being provided regularly to all officers through the IPS curriculum.</p> <p>Only officers who have completed the evaluation training are eligible to take on evaluation duties.</p> <p>MGOZ has a procurement risk register in place which is regularly updated to address any potential risks and shortcomings in the procurement process.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>Moreover, all information presented in the evaluation report is to be thoroughly checked for accuracy prior to publication.</p> <p>Accepted</p>	<p>MGOZ is ensuring that, prior to the publication, the evaluation report is checked thoroughly by two officers who are not involved in the drafting of the tender.</p>	<p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
COMPLIANCE ISSUES		
<p><i>Procurement not published in Government Gazette</i></p> <p>In accordance with regulation 111(2) of PPR and Contracts Circular No. 02/2017 – ‘Submission of a List of Contracts by Contracting Authorities’, all contracts whose value exceeds €5,000 (VAT excl) are to be published in the Government Gazette.</p> <p>Accepted</p>	<p>MGOZ is ensuring that a list of awarded contracts exceeding €5,000 in value are published in the Government Gazette in accordance with regulation 111(2) of the PPR.</p>	<p>Ongoing</p>
<p><i>Defaulters not reported</i></p> <p>In line with pertinent circulars, suppliers who fail to submit adequate fiscal documentation are to be reported to the VAT Department on a quarterly basis.</p> <p>Accepted</p>	<p>MGOZ has drawn up an SOP detailing the procedure to address non-compliance with fiscal obligations. The SOP was communicated to all officers concerned.</p> <p>The management is ensuring that suppliers who fail to submit adequate fiscal documentation are reported to the VAT department on a quarterly basis according to the pertinent regulations.</p>	<p>Implemented</p> <p>Ongoing</p>



SUBSIDIES AND SCHEMES TO GOZO RESIDENTS EXPENDITURE

A number of subsidies and schemes administered by the Ministry for Gozo (MGOZ) were selected for audit purposes.

The purpose of the audit was to assess the adequacy and effectiveness of internal controls over expenditure incurred during 2020 on the subsidies and schemes under review, as well as to establish whether government resources were used prudently and in a judicious manner. The National Audit Office (NAO) also assessed whether the administrative procedures adopted followed the applicable terms and conditions.

The audit revealed inadequate management information supporting disbursements, as well as shortcomings pertaining to internal controls.

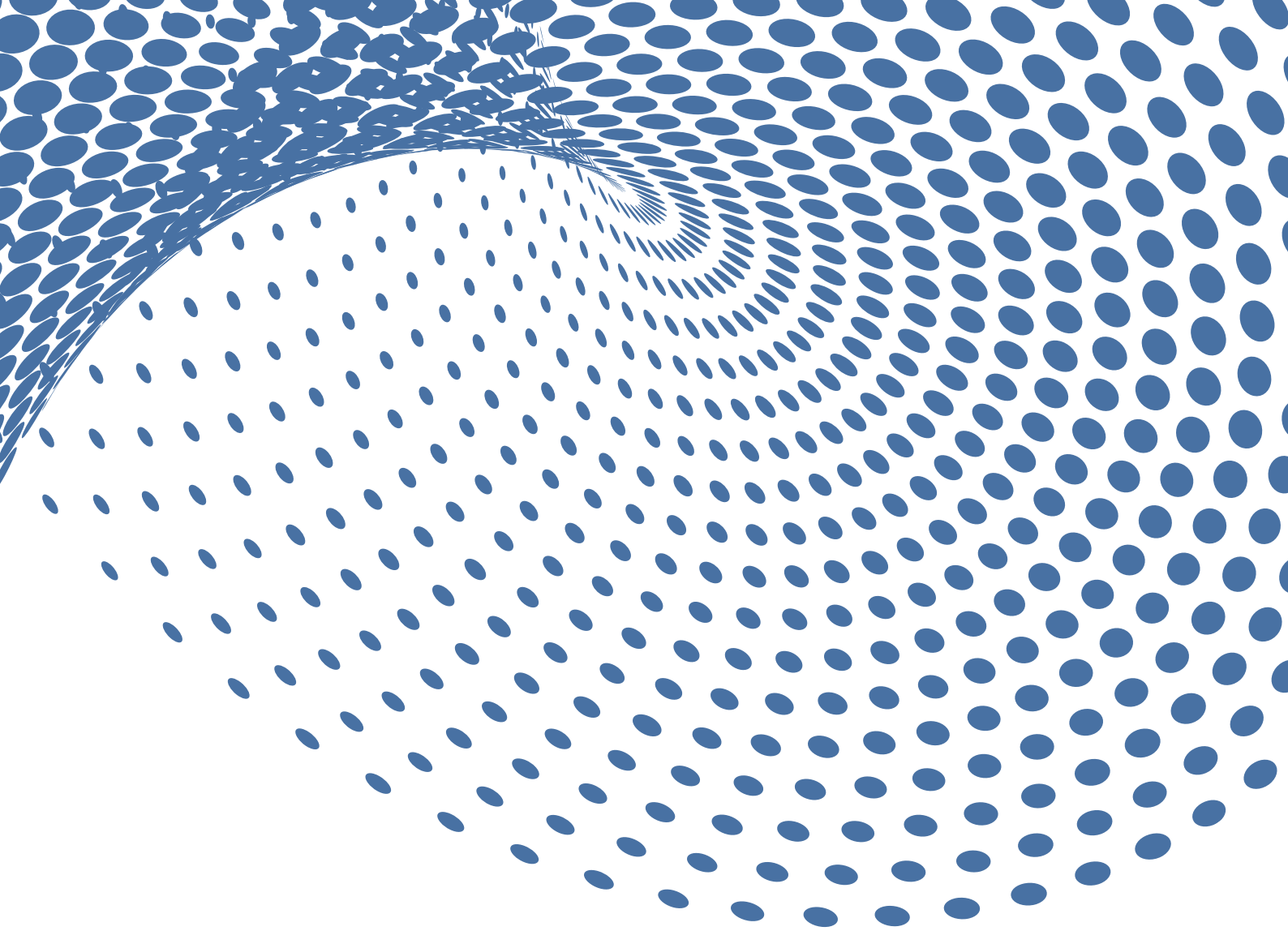
Follow-up action

MGOZ has stepped up reconciliations between the accounting system and its records to detect any discrepancies and take timely remedial action. SOPs for every scheme and subsidy have been drawn up and communicated to all employees concerned. A set of FAQs has been uploaded on the Ministry's website for ease of reference by the public.

Employment agreements have been amended to include a clause authorising MGOZ to request planned work schedules, and another that applications from individuals to work in direct family business will not be considered. The management is ensuring that checks are carried out with the institutions three times a year to monitor the students' attendance and payments are also being effected accordingly.

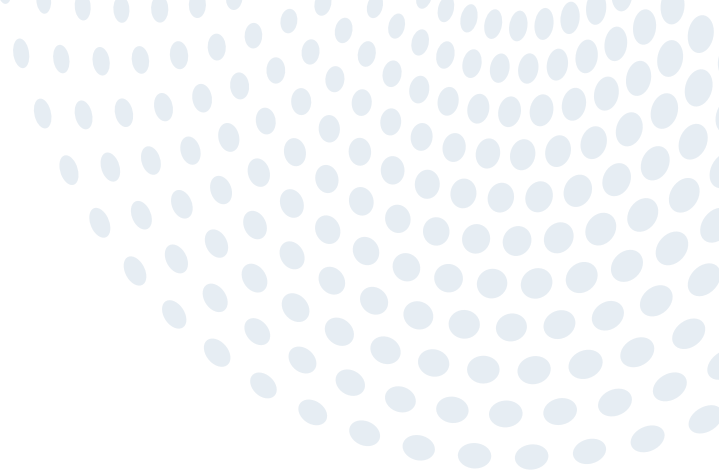
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p><i>Inadequate management information</i></p> <p>MGOZ is to ensure the accuracy and completeness of its records by maintaining updated information.</p> <p>Regular reconciliation between the accounting system and the Ministry's own records is highly recommended. This will enable officers to detect any discrepancies and take timely remedial action.</p> <p>Accepted</p>	<p>MGOZ is ensuring that reconciliation between the accounting system and records held by the Ministry is carried out regularly on a monthly basis.</p> <p>MGOZ has drawn up an SOP for every scheme and subsidy. The verification and reconciliation guidelines are included in the SOP.</p> <p>MGOZ has a management information system in place. Each application is checked manually and any changes effected are recorded in the system, including the details of the officer verifying the application. When all details are confirmed to be correct, the status is changed from a drop-down menu to read 'Subsidy to be issued'.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p><i>Fragmented information and ambiguous eligibility criteria</i></p> <p>To meet their intended purpose, subsidies are to be supported by a set of updated and clear terms and conditions stipulating who is eligible, documentation to be submitted, all applicable criteria and amounts payable.</p> <p>Accepted</p>	<p>MGOZ has drawn up an SOP for each scheme, including updated and clear eligibility criteria and terms and conditions in order to guide employees at MGOZ who process the subsidies applications. The SOP has been approved and circulated among the officers concerned.</p> <p>The management is ensuring compliance.</p> <p>A set of FAQs, including the terms and conditions, the documentation to be submitted, applicable criteria and amounts payable, has been uploaded on the Ministry's website for ease of access by the public.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
CONTROL ISSUES		
<p><i>Monitoring visits on the Work Trial Scheme for Youths not performed</i></p> <p>Management is expected to enforce the provisions of the contract by requesting the planned work schedules and liaise with Jobsplus to conduct the required monitoring.</p> <p>Partially accepted</p>	<p>The Work Trial Scheme for Youths does not fall within the remit of Jobsplus.</p> <p>A clause has been included in the employment agreement, authorising MGOZ to request planned work schedules.</p> <p>To reduce the risk of abuse, MGOZ amended the application for the Work Trial Scheme for Youths to include a clause stipulating that applications to work in direct family business will not be considered.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Insufficient control on Gozitan students' subsidies</i></p> <p>Management is to ensure that the necessary confirmations from educational institutions are obtained within reasonable timeframes and verification on the Rental Subsidy are to be performed prior to effecting the payments.</p> <p>Accepted</p>	<p>MGOZ introduced a mechanism to prompt reminders to ensure that checking will not be overlooked.</p> <p>The management is ensuring that checks are carried out with the respective institutions three times each year to verify that students are still following the course specified in their application. In cases where an applicant has abandoned their studies, the officer in charge of subsidies informs the applicant by email that payment of the subsidy will be terminated with effect from the date of resignation from the course.</p> <p>The above procedure has been included in the Schemes and Subsidies SOP. The SOP was approved and communicated to all officers concerned.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>



MINISTRY FOR SOCIAL POLICY AND CHILDREN'S RIGHTS

(reported by the NAO as Ministry for the Family,
Children's Rights and Social Solidarity)



SERVICE PENSION EXPENDITURE

Officers who qualify for a Service Pension (SP) are:

- Government employees who started service with the government before 15 January 1979;
- Police, Armed Forces of Malta (AFM) personnel, correctional facilities officials, and members of the Civil Protection;
- Widows of public officers who held a pensionable post and who contributed to the relative pension scheme;
- Members of Parliament; and
- Members of the judiciary and the Attorney General.

The administration of SP falls within the remit of the Treasury (Service) Pension Section, which is located in Gozo.

The purpose of this audit was to determine whether adequate internal control procedures were embedded in the SP administration system, from the assessment of eligibility up to the respective payment. Furthermore, the National Audit Office (NAO) assessed whether these benefits were made in an accurate and timely

manner, in accordance with the provisions laid out in the respective legislation.

The audit revealed a weak internal control environment, substantial overpayments, and inconsistencies between the systems.

Follow-up action

DSS has developed a new service pension system which is now fully operational. The new service pension system, which is directly linked to the SABS, addressed most of the shortcomings prevalent in the previous system.

In relation to the NAO's concern about overpayments, the Ministry is following several procedures to recoup amounts due. Once the overpayment is recorded in the new service pension system, the latter has the functionality to flag notification to settle overpayments.

DSS started issuing life certificates to those living abroad. Cases are being followed up every two months.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
LIMITATION ON SCOPE OF AUDIT		
<p>The following information, which was requested for audit purposes, was not made available:</p> <ol style="list-style-type: none"> Supporting documents with respect to two sampled Service Pension (SP) beneficiaries. A report issued by the Malta Information Technology Agency in May 2016 identified several shortcomings within the SP system. When this Office enquired whether the current software was enhanced to address the highlighted issues, no reply was forthcoming. In November 2020, NAO was informed that a new SP system was being developed by a service provider and was intended to be completed by end of 2021. However, the respective contract was not made available for verification purposes. <p>Accepted</p>	<p>The new service pension system has been developed and is now fully operational. The system was developed by a private contractor engaged by MITA, following a call for tenders.</p> <p>DSS can obtain the necessary information related to the service pension of the beneficiary from the digital system. Physical files are not necessary.</p> <p>The new service pension system addressed most of the shortcomings prevalent in the previous system. In the new system, a note is being inserted in relation to untraced files.</p> <p>Since the members of parliament and judiciary's service pension is revised every year, their files are retained on site.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>

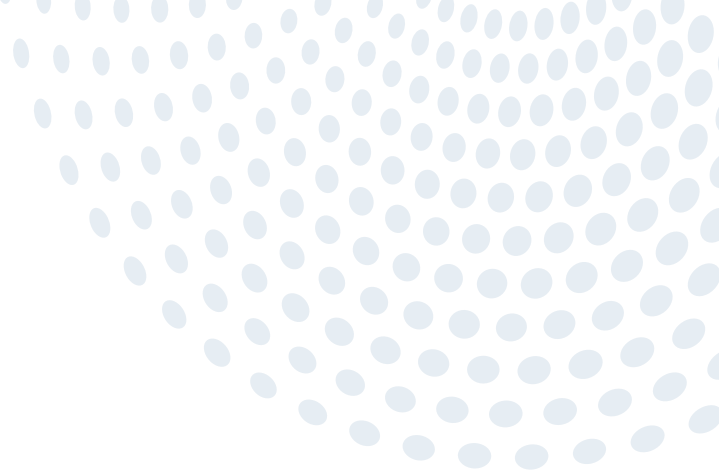
KEY ISSUE		
<p>Questionable eligibility of service pension</p> <p>Management is to ascertain that the award of SP is invariably in line with the pertinent legislation to ensure a transparent, fair, and equal treatment to eligible applicants.</p> <p>Accepted</p>	<p>DSS is ensuring that a service pension is only awarded in compliance with the applicable legislation.</p> <p>Once the service record sheet is provided by the department of the employee, it is reviewed by the Back Office – Service Pension Section within the Ministry for Gozo (MGOZ) and the People & Standards Division (P&SD). If it is compliant with established requirements, the assessor certifies that an employee is eligible for service pension.</p> <p>A few months after the new SP system has been functional, DSS intends to draw up SOPs setting out clear guidelines in the administration and management of SP.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>February 2023</p>
<p>Any pensions awarded on an ex-gratia or personal basis are to be supported by adequate documentation enabling proper audit trail.</p> <p>Accepted</p>	<p>To ensure proper audit trail, any decision taken by the board in relation to claims for service pension and approvals are duly documented and retained in the pertinent files.</p>	<p>Implemented</p>

CONTROL ISSUES		
<p>Inconsistencies between system</p> <p>Management is encouraged to find ways how to minimise errors and inconsistencies.</p> <p>Accepted</p>	<p>Until the new system became operational, as a temporary measure, liaison forms were forwarded by the Service Pension Section to the Department for Social Security (DSS) and inserted manually in the SABS.</p> <p>The new SP system is linked directly to the SABS.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Insufficient management information</p> <p>DSS is to ensure that the reason for the creation of overpayments on SABS is not left blank. This would provide better management information for the analysis of amounts overpaid, to identify suitable corrective action and control recurrence.</p> <p>Not accepted</p>	<p>Even before the audit, the system did not permit a user to leave the field for reason of overpayment, empty. If the field was left blank, the user could not continue.</p>	
<p>Overpayments in pensions recorded on SABS</p> <p>Whilst every effort is to be made to prevent overpayments, DSS is to ensure that ongoing monitoring of the amounts due is carried out in order to maximise recoverability and prevent any amounts from becoming statute barred.</p> <p>Accepted</p>	<p>Once an overpayment is created on the SABS, an official letter is concurrently issued by the Overpayment Section to the beneficiary to inform them that an amount will be deducted from their other benefits to recoup the respective amount.</p> <p>For non-performing overpayments, a letter is issued to the beneficiaries to reach an agreement to settle the overpayment by instalments. In case of death of the beneficiary, an agreement is reached with the heirs.</p> <p>Legal letters are being sent to those who fail to pay the amounts due.</p> <p>A standard agreement template is being recorded in the IT structure.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>
<p>Thus, particular attention is to be given to older pending amounts, as well as dormant debts.</p> <p>Accepted</p>	<p>In addition to the actions stated under the previous item, on a yearly basis, the Overpayment Section issues notification letters to the beneficiaries to inform them of the balance due.</p>	<p>Ongoing</p>
<p>Unless communication between the Service (Treasury) Pension Section and the rest of DSS is enhanced, substantial overpayments will persist. Given the age of the beneficiaries, as well as the repayment rate quoted by the Act, the recoverability of the outstanding amounts is questionable, leading to possible loss of public funds.</p> <p>Accepted</p>	<p>When working on the DSS pension rate of a particular applicant, the assessors are instructed to check the applicant's employment history to verify if the applicant is entitled to a service pension.</p> <p>Liaison forms are documented communication between the two parties.</p> <p>A few months after the new SP system has been functional, DSS intends to draw up SOPs setting out clear guidelines in the administration and management of SP.</p>	<p>Implemented</p> <p>Implemented</p> <p>February 2023</p>
<p>Service pension overpayment</p> <p>Management is encouraged to implement a system which facilitates the proactive management of debtors to prevent amounts from becoming time-barred, thus safeguarding public funds, as well as reduce the risk of error.</p> <p>Accepted</p>	<p>Overpayments are recorded in the new service pension system.</p> <p>The new system has the functionality to flag notification to settle overpayments.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Insufficient verification of applications</i></p> <p>Computations are to be duly certified correct following checking.</p> <p>Accepted</p>	<p>The assessor at the Back Office – Service Pension MGOZ works out the service pension, while the P&SD officer certifies correctness of details relating to periods of service in the public service.</p>	<p>Ongoing</p>
<p>Management may consider updating the application form (GP61) by including a section where heads of departments can confirm that the applicant has no ongoing disciplinary proceedings.</p> <p>Accepted</p>	<p>The GP61 will be updated to include reference to article 5(2) of the Pensions Ordinance regarding guilt of misconduct, after consultation with HR personnel from stakeholder departments.</p>	<p>October 2022</p>
<p>Additionally, the necessary arrangements are to be in place to ensure that the section is notified periodically through official reports of registered deaths.</p> <p>Accepted</p>	<p>The Health Burials Section sends a monthly deaths report to the Service Pension Section.</p> <p>These reports are being verified with the service pension system.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Personal files are expected to have an audit trail which provides evidence of the entire procedure from the initial assessment to the final approval of the pension awarded.</p> <p>Accepted</p>	<p>The whole process, together with an office note that pension and gratuity have been approved by the President, is documented in the applicant’s personal file.</p> <p>The original President’s list with all the names of the persons accepted for a service pension is retained in a separate file, containing all the President’s lists, so as to adhere to GDPR requirements.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>Subsequent changes should also be documented.</p> <p>Accepted</p>	<p>Changes are indicated in the new service pension system.</p>	<p>Ongoing</p>
<p>The Treasury (Service) Pension Section is encouraged to maintain an electronic version of documentation held for each pensioner to avoid the risk of losing information.</p> <p>Accepted</p>	<p>With the new service pension system, inputted applications serve as a basis for the automated computation of pensions.</p> <p>After the new system is tried and tested, an analysis will be carried out regarding enhancements required.</p> <p>Subsequently, DSS will start discussions with the relevant stakeholders to carry out the enhancements required including electronic documentation.</p>	<p>Implemented</p> <p>October 2022</p> <p>February 2023</p>
<p><i>No life certification system</i></p> <p>Management is expected to adopt a formal system of life certification to prevent fraud and possibly abuse, which could result in inefficient use of public funds.</p> <p>Accepted</p>	<p>The DSS are issuing life certificates to those living abroad.</p> <p>Cases are being followed up every two months if no feedback is received.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Absence of standard operating procedures</i></p> <p>It is recommended that Management sets comprehensive internal standard operating procedures, which serve as a step-by-step guide in administration and management of SP. This will ensure the adoption of a fair and uniform approach to all pensioners, as well as compliance with pertinent regulations.</p> <p>Accepted</p>	<p>DSS will draw up SOPs detailing the procedure that need to be followed to award and manage a SP, based on the new Service Pension system.</p>	<p>February 2023</p>
<p><i>Basis for widows pensions computation not confirmed</i></p> <p>Management is recommended to seek legal advice to identify the framework regulating such pension and thus ascertain the accuracy of the respective payments.</p> <p>Not accepted</p>	<p>The widows and orphans' entitlement is regulated by the Widows' and Orphans' Act (Cap.58) of the Laws of Malta.</p>	
<p><i>Lack of audit trail upon pensioners' admission to residential care</i></p> <p>Adequate audit trail is expected to be maintained in each pensioner's file to substantiate the respective figures and support decisions taken.</p> <p>Accepted</p>	<p>With the new system, the service pension procedures are based on those already in place within DSS system, including rates and apportionment.</p>	<p>Implemented</p>



IN-WORK BENEFIT EXPENDITURE

The In-work Benefit (IWB) is one of the non-contributory benefits managed by the Department of Social Security (DSS) within the Ministry for Social Justice and Solidarity, the Family and Children's Rights. Originally introduced in 2015, the IWB is aimed to financially assist couples and single parents who are employed and have dependants under the age of 23 years still living with them. During 2016, a new category was added to include couples with only one working parent.

The purpose of the audit was to assess the processes and controls in place in the administration of the benefit in question, from the assessment of eligibility up to the respective payment process.

The audit revealed that numerous payments to various beneficiaries were not in line with the underlying

regulation. Inconsistencies in the treatment of gross income—required for the calculation of this benefit—were also noted.

Follow-up action

The DSS has taken on board all recommendations made by the NAO. In the In-work Benefit published in the Government Gazette, the DSS included a reference to the provisions of article 97(2)(c)(ii)(a) of the Social Security Act (Cap 318), a reference to the procedure and the updated rates and thresholds.

In accordance with article 97(2)(c)(ii)(a) of the Social Security Act, a request for payment of arrears will solely be taken into consideration upon proof that the delay in the provision of the application was not due to negligence from the applicant's side.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Payments made to beneficiaries outside regulation parameters</p> <p>The legislation is expected to be amended in order to include the benefit in question.</p> <p>Accepted</p>	<p>The updated rates and thresholds relating to the In-work Benefit are published annually in Government Gazette.</p>	<p>Ongoing</p>
<p>DSS should also have a policy in place, that clearly explains in which instances arrears are to be paid to beneficiaries.</p> <p>Accepted</p>	<p>Reference to the provisions of article 97(2)(c)(ii)(a) of the Social Security Act (Cap 318) has been included in the In-work Benefit Government Gazette.</p>	<p>Implemented</p>
<p>Furthermore, the individual is expected to give reasons for late application.</p> <p>Accepted</p>	<p>In accordance with article 97(2)(c)(ii)(a) of the Social Security Act, a request for arrears should solely be taken into consideration upon proof that the delay in the provision of the application was not due to negligence from the applicant's side.</p> <p>Article 97 clearly states that a letter of explanation needs to be provided by the applicant when submitting a request for the payment of arrears. The requests received are evaluated by the respective Assistant Director, and the decision of payment or otherwise is to be communicated to the applicant by the Director or the Director General.</p>	<p>Implemented</p> <p>Implemented</p>
<p>It is also important that beneficiaries are made aware of this procedure, to ensure that treatment is equal and fair amongst all applicants.</p>	<p>A clear reference to the procedure has been included in the Government Gazette and in the pertinent website.</p>	<p>Implemented</p>
<p>Inconsistent treatment in the calculation of gross income</p> <p>Practices regarding the calculation of gross income for IWB calculation as adopted by DSS should be in line with the spirit of the pertinent legislation.</p> <p>Accepted</p>	<p>The management is ensuring that calculations for eligibility to the IWB are invariably determined in accordance with the provisions set out in the Government Gazette, ensuring equitable treatment.</p>	<p>Ongoing</p>
<p>Any decisions taken are then to be formalised so as to ensure an equitable and fair system across the board.</p> <p>Accepted</p>	<p>The procedures, rates and thresholds related to IWB are updated and published annually in the Government Gazette. The management is ensuring that the provisions therein are invariably adhered to in all cases.</p>	<p>Ongoing</p>



AĠENZIJA GĦALL-ĦARSIEN TAT-TFAL

PERSONAL EMOLUMENTS

Up till end December 2019, the Aġenzija għall-Ħarsien tat-Tfal (AHT) functioned under the Aġenzija Appoġġ falling under the responsibility of the Foundation for Social Welfare Services (FSWS). With effect from January 2020, a new directorate, namely the Alternative Care Directorate, was set up, reporting directly to the Foundation. This brought a change in the operations; services previously catered for by AHT, together with other services related to children that were still managed by either Aġenzija Appoġġ or FSWS, were migrated to the new directorate.

The main objectives of the audit were to identify and assess the operating effectiveness of risk management and key controls in relation to the payroll process and determine whether the payment of personal emoluments was accurate and in line with the applicable regulations, policies, and agreements.

The audit revealed a lack of formal procedures with

respect to on-call service and non-observance of established provisions related to overtime.

Follow-up action

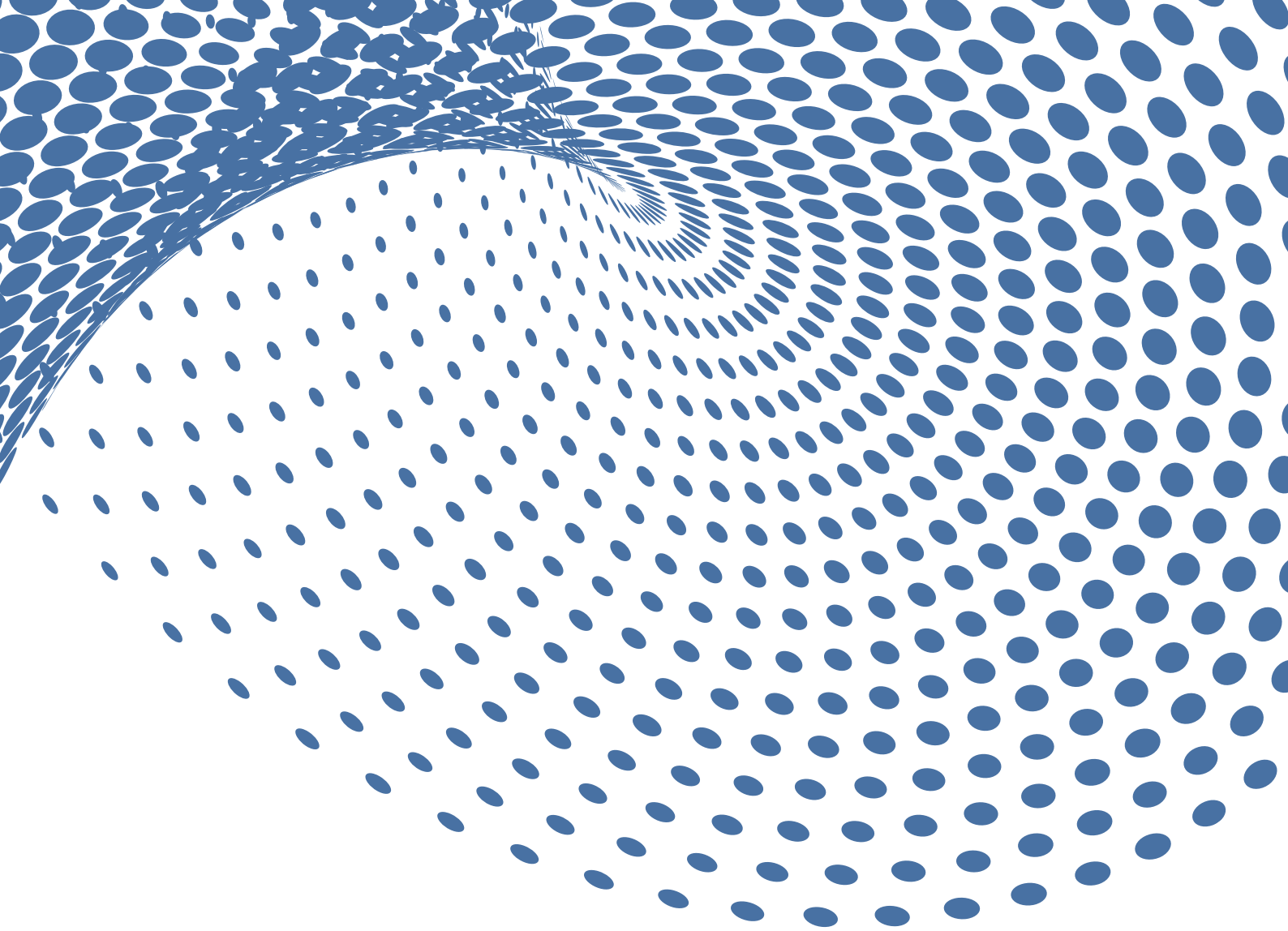
FSWS has invested in a payroll software package that has inbuilt checks and balances. FSWS started carrying out reasonability checks between attendance sheets and the payroll, and any errors identified are being addressed prior to affecting payment. The Manual of Procedures for the Payroll Team was updated so that all duties and responsibilities related to the payroll are clearly defined. Overtime requests and approvals are carried out in writing before the overtime is carried out, and are being filed by the payroll team.

To address the concerns raised by the NAO regarding daily duties, all professionals are required to record all interventions carried out in the Case Management System (CMS).

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p><i>Daily duties not recorded for audit trail purpose</i></p> <p>AHT is to be guided by the provisions of section 6.4 of the Attendance Verifications Systems – Policy and Guidelines, regulating the attendance of non-office bound workers, wherein it is stated that a proper system should be in place for the recording of duty outside the office premises.</p> <p>Partially accepted</p>	<p>FSWS trusts the professionals in its employment and operates on an element of good faith and flexibility. The absolute majority of FSWS employees are care professionals who perform a highly delicate line of work with vulnerable service users. For FSWS it is paramount that all services are provided at the convenience of the service user.</p> <p>In order not to waste operational time, FSWS management allows its professionals to go directly to carry out off-site assignments when these are scheduled first thing in the morning or towards the end of the working day. Their attendance and intervention are recorded in the case notes electronically.</p> <p>Discussions are being held with the Chief Information Officer (CIO) regarding plans to replace the laptops of non-office bound employees with tablets. With these tablets, employees log onto a cloud-based case management system, indicating their location.</p> <p>Employees are signing attendance sheets at their respective unit on a common attendance sheet, which is subsequently endorsed by the respective director.</p> <p>A module is being added to the electronic payroll system to enable the digital handling and recording of all vacation leave requests and approvals, as well as sick leave.</p> <p>Following the digitalisation of vacation and sick leave records, FSWS will gradually introduce the electronic attendance system in its departments.</p>	<p>Ongoing</p> <p>Implemented</p> <p>December 2022</p> <p>December 2023</p>
<p>For control purposes, AHT is also to consider introducing a log showing the daily tasks performed.</p> <p>Accepted</p>	<p>As part of their duties, all professionals are required to record all interventions carried out in the Case Management System (CMS).</p> <p>FSWS management are analysing what tasks have been performed by its professionals.</p> <p>MITA transferred the ownership of the CMS to FSWS. With this transfer, new FSWS services will be able to start utilising the CMS as soon as these are introduced.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

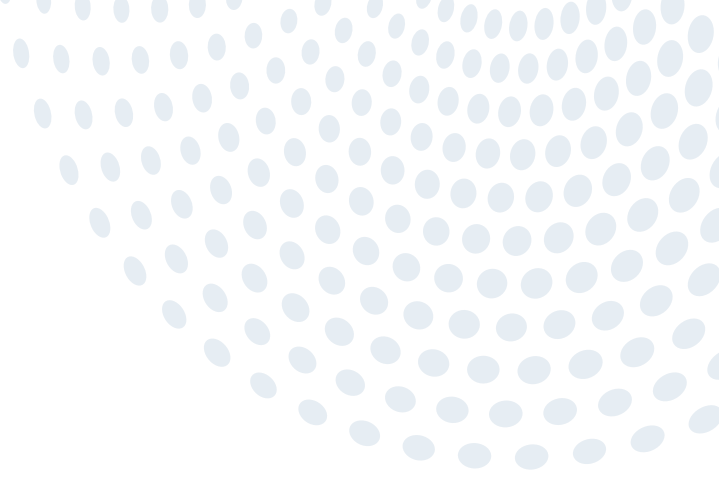
RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Documented processes not comprehensive</p> <p>It is important that the risks related to the payroll process are assessed and the applicable procedures duly documented. These are expected to cover the monitoring and control aspect, as well as checking of accuracy.</p> <p>Accepted</p>	<p>FSWS has invested in a payroll software package that has inbuilt checks and balances to minimise risk as much as possible.</p> <p>The Finance and Accounts Department is carrying out reasonability checks between attendance sheets and the payroll, and subsequently the payroll is certified as reasonably correct.</p> <p>A Risk and Control Manager was recruited to identify risk areas in payroll, procurement and inventory, amongst others. This officer reports findings to the CEO, Director (Finance) and Director (HR), as applicable, for necessary action.</p> <p>FSWS plans to centralise all payroll functions under the responsibility of the Finance and Accounts Department.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>December 2023</p>
<p>Respective roles, responsibilities and duties are also to be spelled out. This will not only ensure that the applicable procedures are implemented, and all risks appropriately addressed, but also serves as a guidance to potential new employees.</p> <p>Accepted</p>	<p>The Management updated the Manual of Procedures for the Payroll Team so that all duties and responsibilities related to the payroll are clearly defined.</p> <p>FSWS provided training to payroll staff on the content of the updated manual and required payroll checks.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Overtime operating effectiveness</p> <p>As far as possible, especially when this is due to lack of staff, overtime is to be adequately planned, approved in advance by the relevant officer, and includes all details of work performed enabling independent verification.</p> <p>Accepted</p>	<p>In line with FSWS policy, all overtime work is approved in writing by the director before it is carried out. Overtime attendance is subsequently endorsed by the CEO.</p>	<p>Ongoing</p>
<p>It is also to be ensured that overtime is only resorted to in exceptional circumstances, logged in line with the requirements of the collective agreement and verified with overtime records prior to its approval by Management.</p> <p>Accepted</p>	<p>FSWS has a strict policy that overtime is not approved unless absolutely necessary.</p> <p>After an internal review, FSWS is carrying out spot checks to ensure that overtime is being carried out only when necessary. This monitoring is carried out as part of the risk and control exercise related to payroll.</p> <p>The director concerned is ensuring that all overtime is authorised prior to being carried out. In cases of unforeseen emergencies, the overtime is authorised verbally, and the necessary forms are filled the following working day and recorded by the Payroll Team.</p> <p>Interventions carried out by employees on on-call duty will be logged in the CMS.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, overtime requests are to be duly documented.</p> <p>Accepted</p>	<p>Overtime requested and approvals are carried out in writing and are being filed by the Payroll Team.</p> <p>FSWS plans to adopt electronic documenting of overtime requests and approvals.</p>	<p>Implemented</p> <p>October 2023</p>
<p>Issues related to shift and on-call allowances</p> <p>Detailed procedures, necessary to ensure consistency, transparency, and the adequate address of risks, are to be developed, documented and enforced.</p> <p>Accepted</p>	<p>The Management adheres strictly with the provisions of the pertinent collective agreement, which clearly specifies all the details pertaining to the payment of wages and salaries and conditions of work for specific tasks and duties.</p>	<p>Ongoing</p>
<p>The established policies are to include the parameters of the service, as well as the necessary monitoring.</p> <p>Accepted</p>	<p>A reasonability check of the payroll is carried out by the pertinent senior executives and any errors identified are addressed prior to affecting payment.</p>	<p>Ongoing</p>
<p>Moreover, Management is to ensure that hours worked by the employees are in line with standing legislation.</p> <p>Accepted</p>	<p>FSWS is ensuring that terms regulating on-call duty are respected in accordance with the collective agreement.</p> <p>FSWS introduced a declaration form signed by employees to indicate their agreement to work more than 48 hours a week.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Rosters are to be in line with standing regulations and formally approved.</p> <p>Accepted</p>	<p>All rosters are in line with standing regulations set out in the Employment and Industrial Relations Act and related work regulation orders, and with the pertinent collective agreement.</p>	<p>Implemented</p>



MINISTRY FOR **SOCIAL AND AFFORDABLE ACCOMMODATION**

(Reported by the NAO under Ministry for the Family,
Children's Rights and Social Solidarity)



HOUSING PROGRAMMES

EXPENDITURE

The Housing Authority (HA) was established in 1976 by an Act in Parliament, with its main functions being to promote and finance the development of housing estates and other residential accommodation, to support home ownership, as well as improve the housing conditions in Malta. There is a range of schemes for varying levels of earnings, most of which are aimed for those with low income; the most substantial being the Housing Benefit Scheme, ‘Sir Sid Darek’ Scheme, Equity Sharing Scheme, and Scheme on 10% Deposit for the Purchase of a Property.

The main scope of the audit was to verify that the necessary internal controls were in place to monitor the amounts paid with regard to payments for housing programmes and accuracy thereof. Eligibility of participants benefitting from the respective schemes was also ensured.

The audit revealed lack of an enforcement policy for certain schemes, as well as the possibility of undeclared income by the beneficiaries.

Follow-up action

To address the concerns regarding the Housing Benefit Scheme, the HA started carrying out an exercise to compare the rents paid less the subsidy granted with the beneficiaries’ income of the previous year to identify any suspicious cases where the rent paid exceeded the beneficiaries’ income. Suspicious cases are being referred to the Commissioner for Revenue (CfR). The HA is also verifying the applicant’s eligibility by liaising with the Ministry for Social and Affordable Accommodation and the CfR. Applications, together with the respective supporting documentation, are approved and certified by different officers.

In relation to the ‘Sir Sid Darek’ scheme, the HA are carrying out risk-based spot checks during the first ten years after obtaining ownership of the property. Regarding the equity sharing scheme, the HA commissioned an external auditor to embark on an exercise to determine the minimum value for properties in different regions in Malta and Gozo.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
CONTROL ISSUES		
<p>Housing Benefit Scheme – Possible undeclared income</p> <p>Where the Housing Authority (HA) has an indication that the applicant's declaration contrasts with the information obtained from other sources, it is to investigate further, besides communicating with the pertinent authorities, such as Jobsplus, Inland Revenue Department and the Ministry, and immediate action taken where necessary.</p> <p>Accepted</p>	<p>Apart from the applicant's income declaration, the HA is verifying the applicant's eligibility by liaising with the Ministry for Social and Affordable Accommodation and the Commissioner for Revenue. Pertinent documentation is being filed for a complete audit trail.</p> <p>Procedures are in place to assess the beneficiary's employment history.</p> <p>Applications, together with the respective supporting documentation, are approved and certified by different officers to ensure the four-eyes principle. This controlling mechanism enhances transparency.</p> <p>An exercise is being carried out to compare the rents being paid less subsidy with the beneficiaries' income of the previous year to identify any suspicious case where rent paid exceeded income.</p> <p>Suspicious cases are being referred to the CfR for their perusal.</p>	<p>Implemented</p> <p>Ongoing</p> <p>October 2022</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Furthermore, in cases of identified false declarations, the Authority should disqualify the relative applicant from benefiting from any schemes for a five-year period, as also stated on the respective application form.</p> <p>Accepted</p>	<p>Whenever the HA becomes aware of any false declaration, the applicant is disqualified from any scheme for a period of five years.</p> <p>To recoup amounts due, the HA has a mechanism in place that allows it to deduct the equivalent amount from other HA's benefits provided to the beneficiary.</p> <p>In case of beneficiaries who have outstanding amounts due but are not receiving other benefits, the HA issues legal letters to recoup such amounts.</p> <p>Action taken by the CfR against beneficiaries making false income declarations deters beneficiaries from under-declaring income in subsequent years.</p> <p>In connection with the above action, beneficiaries' income is assessed every two years, and housing benefits are revised accordingly. Any benefit not due would be stopped after two years and action will be taken for any overpaid benefits to be recouped.</p> <p>An official policy regarding debt collection procedure was proposed to the HA board.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>'Sir sid darek' scheme – lack of an enforcement policy</i></p> <p>In order to mitigate the risk of the property being re-rented to other individuals, a number of checks need to be carried out throughout the 10 years, following the signing of the final deed, in order to confirm that the applicants are residing at this address.</p> <p>NAO feels that checking from the Common Database (CdB) ought to be coupled with random visits, evidence of which is to be kept in the respective files.</p> <p>Accepted</p>	<p>The HA is applying a risk-based approach to carry out visits for high-risk cases of re-renting their property during the ten-year period.</p> <p>In addition, the HA will select a random sample of 100 beneficiaries considered low or medium risk, to be inspected.</p> <p>Based on the feedback received from the inspections carried out, the HA will review its risk-based approach and formalise the methodology in a written policy.</p> <p>All HA related contracts stipulate that in cases of abuse, the Authority has the power to recoup the amount paid and the property itself.</p> <p>The HA will draft and circulate an SOP detailing the procedure to be followed on physical spot checks.</p>	<p>Implemented</p> <p>July 2023</p> <p>September 2023</p> <p>Implemented</p> <p>November 2022</p>
<p>In addition to this, the Authority could periodically request the applicant to provide other sources of evidence, such as water and electricity bills or bank statements.</p> <p>Not accepted</p>	<p>The HA considers that additional sources of documentary evidence are not sufficiently effective to detect abuses. The information available in the CdB is sufficient for verification purposes.</p> <p>Moreover, the HA carries out physical checks which are considered to be more effective.</p>	
<p><i>Equity sharing scheme – independent valuation of property not performed</i></p> <p>Prior to the application approval, the Housing Authority is expected to perform its own independent valuation of the property in consideration. This would provide the Authority with more certainty that the price quoted reflects the current market value.</p> <p>Accepted</p>	<p>The HA commissioned an external auditor to embark on an exercise to determine the minimum value for properties in different regions in Malta and Gozo.</p> <p>The HA will start carrying out independent valuations on those properties whose sale price exceeds the established minimum valuations by more than 10%.</p> <p>An SOP detailing the procedures to follow regarding property valuations will be drafted and circulated among staff concerned.</p>	<p>Implemented</p> <p>November 2022</p> <p>November 2022</p>



HOUSING MAINTENANCE AND EMBELLISHMENT Co Ltd

REVENUE AND EXPENDITURE

The Housing Maintenance and Embellishment Company Limited (HME) was incorporated on 28 December 2016, with the role of undertaking contracts and sub-contracts relating to the maintenance and embellishment of property for social housing purposes. This includes the provision of masonry works, mechanical and electrical repairing, woodwork supplies, plastering services, painting, landscaping, redecoration, and redesigning.

The National Audit Office (NAO) sought to assess the extent and adequacy of internal controls over payments effected by HME during the year under review, as well as to verify the completeness and accuracy of the amount of sales recorded by the company.

The audit revealed major shortcomings in the overall project management by the HME, from the procurement stage, including the assignment of additional works, up to billing by the contractors.

Follow-up action

By December 2022, the HME and the Social Projects Management Ltd (SPML) will be merged into one company. However, these two companies will remain active until the new company is fully operational and functional.

The HME has drawn up an SOP detailing the procurement procedure in line with the Public Procurement Regulations (PPR). A new framework agreement concerning restoration works to external facades and other repair works in housing estates was published in line with the PPR. This framework agreement specifically sets out the works required along with related prices.

The HME signed a Memorandum of Understanding with the SPML to be provided with additional administrative and contract management services. Following this MoU, HME commissioned a project manager and quantity surveyor from SPML to closely monitor its projects and value works carried out.

HME are issuing interim payment certificates that are based on the actual work performed, verified, and approved. HME has introduced a new procedure to ensure that any additional works are invoiced separately.

The HME has compiled and forwarded to its accountants a fixed asset register (FAR). The FAR is being kept up to date following periodical reviews to evaluate the condition of the assets.

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUES		
<p>Major shortcomings in project management and in the company's modus operandi</p> <p>HME is to revisit the way it manages the projects entrusted to it by the Housing Authority (HA) and is to ensure that this is in line with standing regulations and policies.</p>	<p>The HME has drawn up an SOP detailing the procurement procedure in line with the Public Procurement Regulations (PPR). The SOP has been circulated to all staff concerned.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Accepted</p>	<p>A new framework agreement concerning restoration works to external facades and other repair works in housing estates is in place and in line with the PPR.</p> <p>The recommendations put forward by the NAO will be brought to the attention of the management of the new company, once appointed, to ensure that:</p> <ul style="list-style-type: none"> • a set of SOPs covering a project cycle, including the project management and final payments are drafted and circulated; • a holistic training plan incorporating procurement, project and contract management is devised. Such training will be provided to all staff concerned; • adequate internal controls are adopted whereby the approvals from the appropriate level of authority are invariably obtained prior the initiation of any procurement procedure; • procurement planning is prepared annually in advance. The procurement plan will be documented and monitored; • annual budgets for planned works are prepared in advance; • a risk register, part of which will target the whole procurement cycle is drawn up. Risks identified will be assigned to respective owners; and • weekly project management meetings are held by the management of the new company to monitor compliance with contract provisions and address any matter of concern in due time. These meetings will be minuted and filed. 	<p>Implemented</p> <p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The company is also to ascertain that contractors fully abide with the conditions stipulated in their contracts.</p> <p>Accepted</p>	<p>The framework agreement for the restoration work of external facades and other repair works contains the necessary safeguards for the effective implementation of necessary works in different housing estates, in line with the PPR.</p> <p>Management is ensuring compliance with the contract.</p> <p>Following NAO's report, the HME signed a Memorandum of Understanding (MoU) with the SPML to be provided with additional administrative and contract management services.</p> <p>Variations to contract terms are only being effected if justified and approved by the pertinent level of authority, in line with the PPR.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>It is obliged to take corrective action when deemed necessary.</p> <p>Accepted</p>	<p>The HME introduced a procedure to ensure that valid performance guarantees and insurance policies are in place throughout the duration of the contract. Corrective actions will be taken in cases of non-compliance.</p>	<p>Implemented</p>

DIRECT COSTS		
<p><i>Differing bills of quantity</i></p> <p>The BoQs forming part of the tender documents are to accurately reflect the work planned to be carried out, thus reducing the incidence of variations or extensions to the agreements in force, which would lead to an increase in contract prices.</p> <p>Accepted</p>	<p>The framework agreement for restoration works on external facades and other repair works contains the necessary safeguards for the effective implementation of such projects.</p> <p>The recommendations put forward by the NAO have been noted and will be taken into consideration when forming the new company structure to ensure that:</p> <ul style="list-style-type: none"> • all tender dossiers and BoQs are vetted prior to the publication of the tender; • the practice of procurement planning to reduce variations is adopted; and • periodical meetings are held to monitor compliance with contract terms. These meetings are to be minuted, signed, and filed. 	<p>Implemented</p> <p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Concerns over the issue of tenders for works</p> <p>HME is to ensure that procurement regulations are invariably followed.</p> <p>Accepted</p>	<p>Following the NAO's report, an SOP detailing the procurement procedures has been drawn up to ensure compliance with the PPR. The SOP has been circulated to all staff concerned.</p> <p>Management is ensuring compliance.</p> <p>The recommendations put forward by the NAO have been noted and will be brought to the attention of the new management, once appointed, so that:</p> <ul style="list-style-type: none"> • all employees working on procurement are provided training related to procurement and contract management; and • adequate procurement planning is prepared annually in advance to avoid resorting to direct orders. 	<p>Implemented</p> <p>Ongoing</p> <p>December 2022</p>
<p>Tenders issued are to duly reflect the work planned to be carried out. Unless works by the same contractor are performed within the parameters of the agreements in force, these constitute a direct order, for which a Finance approval would be required.</p> <p>Accepted</p>	<p>If new tenders are issued, the actions stated below will be followed and these same requirements will be brought to the attention of the management of the new company, once appointed, so that:</p> <ul style="list-style-type: none"> • adequate planning is carried out in advance and all the required works are included in the same tender; • tender documents are vetted prior to publication to ensure that these reflect the work envisaged in the procurement plan; • projects are monitored against plans throughout their duration to ensure better control of variations; • requests for variations to contracts are made only if these are fully justified and in line with the PPR; and • direct orders are resorted to only in justified circumstances, in line with the applicable circulars and the PPR. 	<p>December 2022</p>
<p>Billing by contractors not in line with applicable agreements</p> <p>Invoicing is to be based on actual measurements and at the rates spelled out in the contract, thus ensuring that amounts paid by HME are based on the value of works carried out.</p> <p>Accepted</p>	<p>Until the new company is formed, HME commissioned SPML, through the signing of the MoU, to provide the services of a quantity surveyor to value works carried out.</p> <p>Bills are measured, verified, and approved prior to processing payments.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Any deviations from the originally planned works as per initial BoQs are also to be flagged and immediately acted upon if these are not duly approved.</p> <p>Accepted</p>	<p>The necessary monitoring is being carried out to ensure that works performed are in line with the terms stipulated in the contract. Deviations from the planned works are accepted only if these are fully justified and in line with the PPR.</p> <p>In cases of variations, the procedure in terms of article 35 of the framework agreement is being followed.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Interim payment certificates not prepared</i></p> <p>HME is to ascertain that interim certificates are issued as required by the General Conditions for Works Contracts, thus ensuring that amounts remitted to contractors duly reflect the certified work completed to date.</p> <p>Accepted</p>	<p>Interim payment certificates, that are based on the actual work performed, are in place, verified, and approved prior to processing any payments.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>
<p><i>Extension of contracts for works not in line with regulations</i></p> <p>HME is to ensure that tenders fully cover the work required on the related projects.</p> <p>Accepted</p>	<p>If new tenders are issued, the actions stated below will be followed and these same requirements will be brought to the attention of the management of the new company, once appointed, so that:</p> <ul style="list-style-type: none"> adequate planning is carried out in advance and all the required works are included in the same tender. The plan will then be documented and approved by the board; tender documents are vetted prior to publication to ensure that these reflect the work envisaged in the procurement plan; projects are monitored against plans throughout their durations to ensure better control of variations; requests for variations to contracts are made only if these are fully justified and in line with the PPR; and direct orders are resorted to only in justified circumstances and in that case, these are in line with the applicable circulars and the PPR. 	<p>December 2022</p>
<p>If, in exceptional circumstances, additional work is necessary, procurement regulations are to be duly followed.</p> <p>Accepted</p>	<p>An SOP has been drawn up to reinforce the control mechanisms in place to ensure compliance with the PPR.</p>	<p>Implemented</p>
<p>Agreements are not to be open-ended, and these are to specifically include the work required to be carried out, prices to be charged, as well as the applicable terms and conditions.</p> <p>Accepted</p>	<p>The framework agreement, published through the Department of Contracts, is in line with the PPR and specifies exactly the works required, along with set prices.</p> <p>HME is adhering to the terms and conditions of the framework agreement.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>The company is also expected to closely monitor its projects to ensure that no payments are effected over and above the agreed contract price without proper justification and approval.</p> <p>Accepted</p>	<p>Through the MoU with SPML, the HME has commissioned a project manager and a quantity surveyor to closely monitor its projects.</p>	<p>Implemented</p>
<p>Major shortcomings in invoicing by contractors</p> <p>Invoices issued by contractors are to be accompanied by BoQs, clearly identifying the type and amount of works carried out to date, as certified by the quantity surveyor or architect. This would help HME in keeping track of all costs incurred on the different parts of the ongoing projects and facilitate the identification of any variances which arise.</p> <p>Accepted</p>	<p>Measurements of completed works are being verified by the HME's site supervisor and the quantity surveyor from SPML.</p> <p>The interim payment certificates, issued following satisfactory completion of work, are based on the actual work performed, verified, and approved.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Furthermore, to enable monitoring over the execution of the original contract, the respective contractor should be requested to invoice any additional works separately.</p> <p>Accepted</p>	<p>HME has introduced a new procedure to ensure that any additional works are invoiced separately.</p>	<p>Implemented</p>
<p>Contracts for works not covered by performance guarantees</p> <p>All contracts are to be covered by valid performance guarantees throughout the whole duration of the project. This will ensure that the company is covered in case the contractor fails to perform the contractual obligations in full.</p> <p>Accepted</p>	<p>In line with the framework agreement, contractors are requested to provide a performance guarantee for the duration of the whole contract.</p> <p>The performance guarantees are being filed and retained for the entire duration of the contract.</p>	<p>Implemented</p> <p>Implemented</p>
<p>In the absence of guarantees, HME is not to allow the contractor to commence work on the respective project.</p> <p>Accepted</p>	<p>HME is ensuring that performance guarantees are in place prior to commencement of works.</p>	<p>Ongoing</p>
<p>No insurance policies</p> <p>HME is not only to ensure that all contractors have an adequate insurance as protection against third party liabilities, as well as potential losses or damages, but also to retain a copy at its end covering the duration of the respective contracts.</p> <p>Accepted</p>	<p>HME is ensuring that all contractors are covered by an adequate insurance policy in line with the respective contracts by obtaining a copy of the policies.</p> <p>HME is retaining and filing copies of the contractors' insurance policies for the duration of the contract.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>Penalties for late completion not charged</p> <p>When, without justified reasons, contractors do not respect the binding completion deadlines in line with the contract, HME is to refer to the special conditions attached to the contracts and enforce the relevant penalty clauses, as applicable.</p> <p>Accepted</p>	<p>Following the NAO report, the HME reviewed the cases in question and noted that the identified delays were attributed to the pandemic situation.</p> <p>Nonetheless, HME is ensuring that unwarranted delays for completion of works are penalised as stipulated in the framework agreement.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p>Retention money not kept</p> <p>HME is expected to settle only 95% of all invoices issued by contractors, with the remaining 5% being kept as retention money. This will ensure that the company is adequately covered for any defects or works not satisfactorily carried out.</p> <p>Accepted</p>	<p>If new tenders are issued, the clause specifying that 5 per cent of the amount due will be withheld as retention money will be duly included in the tender document. This requirement will be brought to the attention of the management of the new company, once appointed. This procedure will be detailed in an SOP.</p>	<p>December 2022</p>
<p>Order to start works not formally communicated</p> <p>HME is to formally communicate the date of commencement of works to the contractor, thus ensuring that the contract period is clearly defined. This is essential to enable verification as to whether works were completed within the stipulated timeframe.</p> <p>Accepted</p>	<p>HME has introduced a procedure to ensure that in order to start works is formally communicated to contractors and that each contractor confirms acceptance of the job order within three working days.</p> <p>Management is ensuring compliance and audit trail.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Inconsistent signatures</p> <p>HME is to investigate this matter and report outcome to NAO.</p> <p>Accepted</p>	<p>The HME has investigated NAO's observations, and the outcome was communicated to the NAO.</p> <p>The HME requested a Power of Attorney form, whenever necessary.</p> <p>The HME issued a memo as a reminder regarding the requirement of a Power of Attorney form. The memo was circulated among employees concerned.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>Purchase of materials not compliant with public procurement regulations</p> <p>Being a Contracting Authority, HME is to ensure that it follows all pertinent procurement regulations.</p> <p>Accepted</p>	<p>HME has drawn up and circulated an SOP detailing the procurement cycle in line with the PPR.</p> <p>Management is ensuring compliance.</p>	<p>Implemented</p> <p>Ongoing</p>

TURNOVER

<p>Works certified without being measured</p> <p>In order to ensure the accuracy of sales invoices and that these duly reflect the progress of works on the project up to that date, it is advisable that certification takes place periodically through actual measurement of works carried out. This will also ensure that any variations from the initial BoQs are taken into consideration in a timely manner.</p> <p>Accepted</p>	<p>Measurements of completed works are being checked by the HME's site supervisor and the quantity surveyor commissioned from SPML in terms of the MoU.</p> <p>Interim payment certificates that are based on the actual work performed, are in place, verified, and approved prior to processing any payments.</p>	<p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Understated estimated value of works</i></p> <p>Management is to ensure that the estimated cost of works indicated in the progress reports reflects that in the respective BoQs, as these form the basis upon which invoices are issued.</p> <p>Accepted</p>	<p>A quantity surveyor has been commissioned by HME, through an MoU with SPML to verify the accuracy of progress reports, prior to invoicing the HA for completed works.</p> <p>Progress reports are being endorsed by the project manager and SPML's quantity surveyor.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Any errors identified are to be corrected in a timely manner.</p> <p>Accepted</p>	<p>The recommendations put forward by the NAO have been noted and will be brought to the attention of the new management, once appointed. To ensure the effectiveness and consistency of the control, the vetting procedure and escalation process, should a discrepancy be identified, will be detailed in an SOP.</p> <p>The HME is ensuring that any discrepancy noted between the cost of works and the bills of quantities is being addressed on time, whenever necessary.</p>	<p>December 2022</p>
<p><i>Progress reports not supporting invoice</i></p> <p>Workings and calculations supporting amounts charged are to be thoroughly checked.</p> <p>Accepted</p>	<p>The quantity surveyor and the project manager, commissioned through the MoU with SPML, are vetting and endorsing the invoices together with the progress report. Subsequently, invoices are submitted and approved by the CEO.</p>	<p>Implemented</p>
<p>These are to be attached to the respective invoices for ease of reference.</p> <p>Accepted</p>	<p>The HME is ensuring that amounts invoiced are supported with actual measurements taken on site by the quantity surveyor. All documentation is duly filed.</p>	<p>Implemented</p>
<p><i>Memorandum of Understanding signed retrospectively</i></p> <p>All agreements are to be entered into and endorsed in a timely manner. This will ensure that the applicable terms and conditions regulating the relationship between the respective parties have been formally laid down before the services are actually rendered.</p> <p>Accepted</p>	<p>The current MoU between HME and the HA expires in December 2022. The recommendation put forward by the NAO has been noted and will be brought to the attention of the new management, once appointed to ensure that the next MoU is formally signed by the respective parties on time.</p>	<p>December 2022</p>

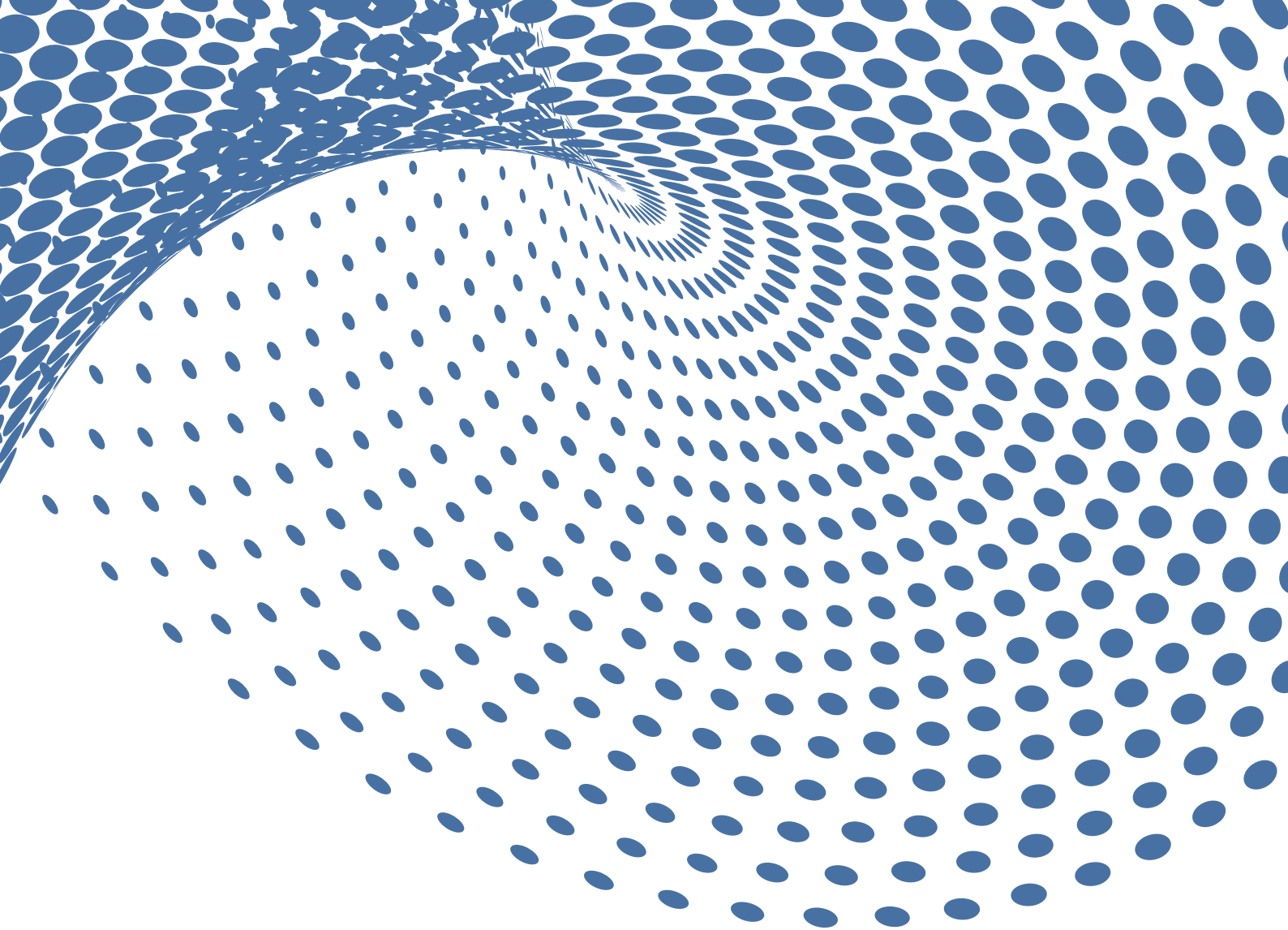
OTHER MATTERS

<p><i>No formal plan to utilise substantial funds held at bank</i></p> <p>HME is to draw up formal plans indicating how it intends to utilise the funds which are in excess of the company's needs.</p> <p>Accepted</p>	<p>The recommendation put forward by the NAO has been noted and will be brought to the attention of the new management, once appointed so that the utilisation of funds will be included in the agenda of the Board of Directors' meeting.</p>	<p>December 2022</p>
	<p>The Board meetings will be minuted, signed by all members, and subsequently filed for future reference.</p>	<p>December 2022</p>

RECOMMENDATIONS	ACTION TAKEN / JUSTIFICATION	IMPLEMENTED OR DATE BY WHEN
<p><i>Expenditure considered as hospitality not in line with government policies and regulations</i></p> <p>HME is to refrain from utilising public funds for such expenditure.</p> <p>Accepted</p>	<p>Expenditure related to hospitality is in line with PSMC.</p> <p>The recommendation put forward by the NAO has been noted and will be brought to the attention of the new management, once appointed, to draft and circulate an SOP detailing guidelines and procedures relating to hospitality, and to ensure compliance.</p>	<p>Ongoing</p> <p>December 2022</p>
<p><i>No fixed asset register</i></p> <p>HME is to take stock of all its assets and compile a fixed asset register, which is to include the necessary details to identify each item, and update it regularly to reflect acquisitions, write-offs and disposals.</p> <p>Accepted</p>	<p>The fixed asset register (FAR) has been compiled and forwarded to HME's accountants.</p>	<p>Implemented</p>
<p>Periodical assessment of recorded assets and their respective condition is to be carried out by Management to identify any impairment.</p> <p>Accepted</p>	<p>The FAR is being kept up to date following periodical reviews to evaluate the condition of the assets.</p>	<p>Ongoing</p>
<p>All items are also to be tagged with a unique asset code, to facilitate the identification of each fixed asset.</p> <p>Accepted</p>	<p>The recommendation put forward by the NAO has been noted and will be brought to the attention of the new management, once appointed, to ensure that all the assets are tagged with a unique code tallying with the FAR.</p>	<p>December 2022</p>

COMPLIANCE ISSUE

<p><i>Invoices not compliant with fiscal regulations</i></p> <p>HME is to ensure that it is invariably furnished with proper tax invoices for all services procured and purchases effected, in line with standing fiscal regulations.</p> <p>Accepted</p>	<p>HME's suppliers are providing fiscal documentation in line with the applicable regulations.</p> <p>In the absence of fiscal documentation, all defaulters are being reported to the pertinent authorities. In case no defaulters are identified, HME is submitting a nil return.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Invoices raised by HME itself are also to be compliant with such regulations.</p> <p>Accepted</p>	<p>All invoices raised by HME, following the NAO's report, include all relevant details and are in line with the VAT regulations.</p>	<p>Ongoing</p>



FOLLOW-UP ACTION
**ON OTHER NAO
AUDITS CARRIED OUT
DURING 2021**

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

PERFORMANCE AUDIT: IS LESA SUITABLY GEARED TO PERFORM ITS TRAFFIC ENFORCEMENT FUNCTION ADEQUATELY?

January 2021

LESA does not receive an annual financial allocation from the central government and relies solely on generated revenue. However, LESA is legally obliged not to retain any surplus funds. The NAO considered that these financial constraints pose difficulties for overall financial planning. This concern has been addressed. LESA has proposed and discussed with the Ministry an amendment to LN 595.14.

In January 2021, LESA signed an MoU with the Local Councils Association in relation to the redistribution of net surpluses. This MoU delineates the regulations of the disbursements and covers an investment of three million euros over a span of three years. In 2021, the first two calls for applications were issued and several local councils were awarded the funds to carry out capital projects for their locality.

LESA and regional committees reached an agreement on reimbursement claims for the years 2016 to 2018 and all reimbursements for these years have been effected. An agreement was also reached on reimbursement claims for the years 2019 to 2021. These have been audited by an external auditor and the reimbursement have been issued accordingly. By December 2022, LESA will finalise all the audited financial statements for the years 2017 to 2021.

In relation to the NAO's observation on the shortage of community officers (COs), LESA carried out a preliminary study to determine the community's perception of the Agency. This study served as a basis for further studies and, subsequently, LESA will be carrying out another study regarding the shortages, deployment, and rostering of staff.

LESA is currently experiencing a change in operations,

taking over several tasks from the Malta Police Force. LESA is also awaiting direction regarding the setting up of the 6th Regional Council and 6th Local tribunal, which will affect the Agency's structure and the most efficient and effective distribution of COs across all regions. This restructuring is expected to be concluded by early 2023.

A new collective agreement was also concluded, ensuring better salary packages and improved conditions for LESA's employees. To safeguard its employees' safety, LESA published a call for tenders for bodycams, motorcycles, and vehicles.

With the view to improve its service, LESA has drawn up a training plan for all COs. Training in relation to ethics, communication, first aid and firefighting was provided to all employees. LESA has drawn up several SOPs that cover a significant number of operations of different units within the Agency. These SOPs were circulated to staff concerned. LESA has set up a Compliance Unit to ensure that contraventions are issued correctly, and monitor attendance and the correct use of equipment. This unit is also monitoring the performance of COs to ensure that SOPs are being followed.

Following lengthy discussions and close collaboration with local councils, by the end of the first quarter of 2022, the Agency had almost doubled its monitoring capacity by increasing the number of CCTV cameras around Malta and Gozo to 148. LESA is holding discussions with Transport Malta (TM) and Safe City Ltd to upgrade its surveillance. A new contract document governing the services relating to speed cameras and a number of CCTV cameras was published and awarded. In addition, LESA plans to start utilising a mobile speed camera by the end of 2022.

MINISTRY FOR THE ENVIRONMENT, ENERGY AND ENTERPRISE

PERFORMANCE AUDIT: THE EFFECTIVENESS OF PLASTIC WASTE MANAGEMENT IN MALTA February 2021

In its report, the National Audit Office (NAO) concluded that the health and environmental risks of plastic can only be mitigated through a concerted effort by all stakeholders, including political, administrative, the industry and consumers, as well as an effort to reduce its production at the outset.

Waste Data Management

The NAO's first observation concerned waste management data limitations and the lack of coordination between national authorities to determine an accurate amount of plastic placed on the market. While Malta already has a data collection system for plastic packaging placed on the market in line with requirements of the EU waste acquis, a working group, consisting of representatives from Environment and Resources Authority (ERA), Customs Department and the National Statistics Office, has been set up late in 2021, to explore whether the estimation of other plastic or plastic products placed on the local market is feasible.

Furthermore, it is envisaged that by the end of 2023, ERA will establish a team specifically focusing on waste data. Work is underway on a new mandatory electronic, web-based reporting platform, which will be introduced for all waste operators, providing data in real time. This team will also be collaborating with all relevant Government entities to improve data sharing of the data collected through the electronic, web-based reporting platform.

In addition, a characterisation survey on the utilisation of grey/green bag is being carried out to identify the waste streams in these bags with the intent to seek information on the general public's attitude at properly disposing of waste in such bags. Following the survey, a report will be drawn up and the outcome of the survey will be analysed and take any action where this is deemed necessary.

Single-use plastic strategy initiatives

It is pertinent to note that in 2021, Government adopted the Waste Management Plan 2021-2030 and the Single Use of Plastic (SUP) Strategy for Malta. The implementation of the SUP strategy is ongoing. A ban on the imports of certain SUPs was implemented in 2021, followed by a ban on their sales in the beginning of 2022. In December 2020, an EU Implementing Regulation entered in force, stipulating that listed products are to have a marking indicating that they contain plastic. This is intended to raise awareness amongst consumers and to impart disposal methods.

Furthermore, the pertinent authorities are stepping up efforts to reduce the amount of untreated mixed municipal waste that is being landfilled. Education campaigns on SUPs through the 'Saving our Blue' Campaign is ongoing with the aim to reduce plastic waste generation. Waste prevention, including the establishment of four Reuse Centres by Wasteserv Malta (WSM) will be opened near its Civic Amenity sites. The project is set to be completed by the beginning of 2023.

To complement such initiatives, extensive education campaigns aimed at households have been carried out. Training for commercial establishments is scheduled for 2023, with the aim of encouraging a shift in practices towards waste prevention and its proper separation. Training will be accompanied with information and educational material addressed to commercial outlets to promote the voluntary separation of organic waste.

All these initiatives contribute towards the improvement of the effectiveness of plastic management in Malta.

Diversion of plastic waste away from landfilling

The NAO audit report also highlighted the need to review the current landfill gate fee to discourage landfilling. The NAO remarked that the current fees are not acting as a deterrent to reduce the amount of waste

generated and, as far as possible, to incentivise the re-use of products. The current level of chargeable landfill fees does not reflect the idea that landfilling is to be the last option in the waste management hierarchy. To address this issue, in 2024 WSM will be carrying out an impact assessment to determine the feasibility of introducing a hierarchy of ECOHIVE complex gate fees to reflect the true environmental and operational costs.

The audit revealed that a significant amount of potentially recyclable or reusable plastic waste is still being landfilled because it is contaminated when mixed with other non-recyclable Municipal Solid Waste. It is envisaged that by 2024, a new Material Recovery Facility (MRF) will be functioning to replace the previous MRF at the Sant'Antnin Waste Treatment Plant which was lost during a fire. The new MRF will be designed to process two main streams of input material. Each stream will be processed in separate lines. However, each line will be capable of processing recyclables that are either segregated or mixed.

As an interim solution, until the new MRF starts to function, an automated rudimentary sorting line is planned to be commissioned by end of summer 2022 within the ECOHIVE Complex. The project is set to house specially designed machinery that will automatically collect and sort all the grey/green bag material coming from bring-in sites from all around Malta and Gozo.

Acknowledging the fact that waste separation at source is crucial to prevent contamination of recyclable material, MEEE is currently considering the establishment of new national policies, introducing mandatory separation of organic and recyclable waste

from all households and commercial outlets.

Monitoring and Enforcement

With respect to the NAO's observation regarding monitoring and enforcement actions, the Compliance and Enforcement Directorate at ERA conducts risk-based assessments to determine areas that require enforcement. In order to strengthen its enforcement capacity, ERA has increased its full time complement by 30 officers to carry out monitoring and enforcement duties.

The NAO finally noted that Government and Packaging Waste Recovery Schemes should revise their compensation agreement to better reflect the cost of treating packaging waste. However, MEEE maintains that a fee structure has an impact on the private sector as well as on the general public, as consequently costs would be passed on to the consumer. Hence a thorough study based on robust data sets needs to be undertaken prior to revising fee structures. In the interim, MEEE has introduced the service of free collection for voluntary separation of organic waste for commercial entities. This initiative is aimed to further encourage commercial entities to separate their waste at source. This exercise will also provide valuable data to support the impact assessment and to revise Packaging Waste Recovery Schemes compensation agreements.

MEEE holds that all the measures, initiatives and efforts being undertaken will ultimately lead to address the lacunas in the management of waste in Malta accentuated by the NAO.

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

PERFORMANCE AUDIT: FULFILLING OBLIGATIONS IN RELATION TO ASYLUM SEEKERS July 2021

As part of its commitment towards a robust asylum system, the Ministry for Home Affairs, Security, Reforms and Equality (MHSR) has taken measures to improve the (i) efficiency of the asylum process, (ii) conditions within closed and open migrants' reception facilities, and (iii) the relocation and repatriation of asylum seekers.

The Ministry believes that the efficiency and quality of the asylum process highly affects the rest of the asylum process, including the applicants' eligibility for material or financial reception conditions, as well as the prospects for relocation or return. Besides the setting up of an Intra-ministerial Committee on Migration Matters, the Ministry also maintains a contingency plan which involves different actions and tasks which may be required to respond to different crises caused by a sudden influx of irregular migrants.

Efficiency of the asylum process

The setting up of the International Protection Agency (IPA) in 2020 was meant to increase the efficiency of this entity, improve working conditions, and attract qualified personnel. Currently the management of the IPA, MHSR and the Industrial Relations Unit are in advanced negotiations, also with the participation of the trade union concerned, to finalise the first collective agreement for IPA personnel.

The progress made within the IPA is manifested in the reduction in the pending applications. Notwithstanding the high number of applications received in 2019 and 2020, the IPA managed to reduce the backlog of applications from 3,574 in 2019 to 2,441 in June 2022. The backlog of applicants awaiting to submit their application have been addressed completely and asylum seekers are being issued with an Asylum Seeker's Document (ASD) immediately before they leave the Initial Reception Centre. The availability of an ASD gives more stability to asylum seekers in the community as it serves as a means of identification and facilitates access to the labour market.

To avoid delays at a later stage of the asylum process, MHSR is working to make the same improvements within the International Protection Appeals Tribunal (IPAT). With respect to the NAO's recommendation regarding the Tribunal's procedures, the Ministry introduced written procedures through the enactment of Act XL of 2020 amending section 7 of Chapter 420 of the Laws of Malta. The Ministry appointed a full-time IPAT chairperson, a coordinator, and two administrative staff. The chairperson and members of the Tribunal attend regular workshops by the European Union Agency for Asylum (EUAA) regarding country-of-origin information, case law and evidence, and credibility assessment.

Conditions within closed and open migrants' reception facilities

In 2020 the Detention Service (DS) embarked on a transformation which is meant to reach a balance between security and welfare. A welfare officer who specialises in mental health was recruited, and a General Practitioner who focuses entirely on the Migrant Health Service has also joined the DS. To address the issues related to staff shortages, over one hundred Detention Service Officers were recruited. New recruits, as well as veteran officers, are being provided with mandatory training on various topics. These include, among others, international protection, cultural barriers, mental health, restraint, and identification of drug or substance abuse.

Works on two new compounds and a clinic have started at the Safi Detention Centre in 2020. These units, which were opened in 2021, were specifically designed to serve for detention purposes and therefore they are more secure and comfortable. The new clinic opened in 2021 increased the quality and efficiency of the medical services provided by doctors and nurses at the Safi premises and eliminated the reliance of the DS on the Government's Primary Health Care. In 2020 MHSR also renovated the ground floor of the Hal Far Initial Reception Centre (HIRC) which could also serve as a quarantine facility for new

admissions. A Close Monitoring Unit has also been created at the Safi premises to cater for detainees suffering from serious infectious conditions.

Extensive refurbishment works have also been undertaken on all the other compounds used for detention purposes in Hal Safi. These renovation works are meant to ensure that living quarters are more secure, provide a more comfortable environment, and that all detainees have access to outdoor areas throughout the day. The changes have made it possible to the DS to house detainees according to their protection and socio-political needs. It also implemented a major upgrade to its CCTV system. All areas inside the detention centres and vehicles have been equipped with security cameras.

In 2022 DS concluded an agreement with the Government's Mental Health Services for the provision of an in-house psychiatric clinic and a crisis service for urgent situations. Detainees are offered routine screening for psychological issues, and for other medical complaints such as ophthalmic problems, sexual health and other issues. During the same year, the DS signed a memorandum of understanding with the Malta Football Association to provide weekly sport and fitness sessions to all detainees.

It is important to point that the Agency for the Welfare of Asylum Seekers (AWAS) follows all matters concerning asylum seekers detained inside premises run by the DS. Moreover, all persons who lodge an asylum application undergo vulnerability assessments. AWAS is responsible for providing reception facilities to asylum seekers. The support provided by AWAS is not limited to accommodation in open centres; the Agency offers psychosocial services, information provision, financial assistance, support to enhance one's employability and other services which are meant to help asylum seekers lead an independent life. AWAS runs a community outreach programme, whereby it makes its services also available to asylum seekers who do not necessarily reside in one of the centres run by AWAS.

As part of its effort to increase accountability and consistency in its internal procedures, the DS has introduced a set of standard operating procedures which regulate a wide range of procedures. The SOPs regulate a wide range of procedures, such as the admission of detainees, the use of force, visits by third

parties to detainees, prevention against transmission of communicable diseases and the complaint system, among others.

The relocation and repatriation of asylum seekers

Relocations and returns are important pillars in the Government's strategy on irregular migration and asylum. They reduce the pressure on the country's asylum system, particularly the backlog of asylum applications and the pressure on the migrants' reception centres.

Maltese authorities managed to relocate 1,130 migrants between 2019 and 2021. In 2022, following lengthy discussions on the EU's New Pact on Migration and Asylum, Malta, Cyprus, Italy, Spain, and Greece will start to benefit from an EU-wide solidarity mechanism. The mechanism gives priority to relocations, as the most effective form of solidarity, to Mediterranean countries situated on the EU's external borders. It is also the first step towards the establishment of a permanent legislative instrument which provides for relocation among Member States of the EU. Malta will continue to make a strong case for mandatory solidarity, notably in the form of relocation.

Progress on the return of failed asylum seekers has also been registered in the past months, with a record number of irregular migrants returned in 2021. Improvements have been registered as a result of (i) the increased collaboration between the Police Immigration Section and the newly set-up Returns Unit within MHSR, and (ii) an outreach to several countries of origin who are considered as priority countries.

In January 2021 a Returns Unit was set up with the aim of stepping up the Government's efforts in the return of failed asylum seekers, both forced and voluntary returns. Indeed, the Returns Unit introduced a system of return counselling, organises return outreach in reception centres and in the community, disseminates informational material on return opportunities, monitors and implements programmes on voluntary return and acts as a national focal point on return issues in relation to relevant stakeholders, including the International Organisation for Migration (IOM). The Returns Unit has provided return counselling to all irregular migrants who arrived in Malta after its creation, therefore ensuring that all these individuals have been provided adequate information about available return opportunities.

MINISTRY FOR EDUCATION, SPORT, YOUTH, RESEARCH AND INNOVATION

IT AUDIT: DEPARTMENT OF EXAMINATIONS

October 2021

The NAO's IT audit at the Department of Examinations (DoE) evaluated various aspects of IT, including IT management (strategy, objectives, internal structures, etc.), infrastructure, operations (including functions and processes), security, and software applications (including usage and objectives), amongst other areas.

The NAO noted that the DoE does not have a formal IT strategic plan nor a specific annual IT budget but refers to and follows the guidelines set out by Malta Information Technology Agency (MITA) and the Information Management Unit (IMU) within the Ministry for Education, Sport, Youth, Research and Innovation (MEYR). In this regard, discussions are ongoing between DoE and IMU-MEYR to develop an IT strategy for the DoE according to its needs. This IT plan is envisaged to be drawn up and finalised by the end of 2022. In the meantime, the DoE has obtained 'read-only' access to its IT hardware and software inventories and is now in a better position to plan for its future IT requirements. Moreover, DoE has budgeted funds for a new Examinations Management Systems (EMS) and discussions are ongoing with the procurement unit regarding the tender process for the procurement of the system.

The DoE has created the post of a manager in its capacity building for 2022 to address the Department's IT requirements, without relying completely on the support of the IMU at MEYR.

The DoE maintains a number of ICT-related service level agreements with third-party economic operators. Following the NAO's advice relating to control issues vis-à-vis IT agreements, DoE ensured that signed copies of service level agreements with third-parties are always available. These are being periodically reviewed to verify compliance and, if non-conformity is noted, the necessary action to rectify matters is

taken accordingly. DoE is committed to include penalty clauses in future contracts to be entered into with third parties.

With reference to the NAO's comment on the unavailability of programming manuals for the EMS software application, DoE has a Functional Definition Document that delineates each function in the system. From a user perspective, DoE does not usually require the source code, but the Quality Review clauses in the Project Initiation Document allow the DoE to request source code as may be required.

The infrastructural shortcomings identified by the NAO were mainly due to the imminent relocation of the DoE offices. The DoE has taken on board the NAO's comments by installing the network cabinet at the new premises according to the recommendations made by the NAO, insofar as these were deemed practicable. The DoE affirmed that the new site has the same level of access and video surveillance as those that existed in the old premises where the audit was carried out. Fire prevention and suppression systems were also installed at the new site. DoE is ensuring that these systems are being adequately and regularly inspected and serviced. In-house training on fire prevention and fire fighting has been provided to members of staff. As a long term measure, the DoE will be discussing and formulating a Business Continuity Plan (BCP) or a Disaster Recovery Plan (DRP).

The audit revealed that DoE employees use shared network drives to back up data, whilst the DoE relies on MITA for data backup in respect of data residing on shared network drives and on Government email accounts. Given that DoE employees have access to personal data, such as transaction logs of payments in relation to applications processed through the EMS, a standard operating procedure (SOP) to cover

confidential access to audit logs of DoE systems is being drawn up and should be in place by the end of 2022. The management will ensure that the SOP is adhered to by the employees concerned. The DoE has access to transaction logs of payments made through the APCO Payment Gateway in relation to applications processed through the EMS. Like all other systems, access to audit logs is granted upon request.

The NAO was pleased to note that non-official or personal devices could not be connected to the department's IT network and, therefore, the possibility of security risks and threats was minimal. Nevertheless, with access to a valid network password, such personal devices may connect to the DoE's secondary third-party wireless network when on site. In this regard, DoE has committed itself to draw up a policy governing the use of personal portable and mobile devices within the department's premises. Training regarding cybersecurity was provided to members of staff to increase their awareness on possible IT security risks.

In terms of the provision of maintenance and support of the DoE website, the NAO strongly recommended that this should be covered by a service level agreement between the third party contractor and IMU-MEYR/DoE to ensure that any current and applicable terms and agreements are formalised in a legal document. In

this regard, DoE stated that the contracted company had provided a proposal indicating the terms of reference of work of setting up the new website. DoE accepted this proposal and a copy of this agreement is available. DoE also stated that the company offers a number of maintenance packages that can be purchased as required.

DoE will be conducting an internal review of the most popular social media platforms to determine ways to enhance its reach and accessibility to its customers and the public in general. DoE is also to carry out an analysis of the existing pool of MEYR's education IT systems, which may hold valuable and relevant data that can be used to complement the automation and facilitation of DoE business processes and functions.

The NAO highlighted the importance of DoE's adherence to the General Data Protection Regulation (GDPR) in the classification and retention of personal data. DoE confirmed that its procedures, including the processing of personal data, are in line with the GDPR. Meanwhile, DoE has accepted NAO's recommendation to compile the applicable Government of Malta ICT (GMICT) policies governing the use of internet and e-mail services and disseminate them to its members of staff—including new recruits—to make them aware of their duties and responsibilities in this regard.

MINISTRY FOR THE ENVIRONMENT, ENERGY AND ENTERPRISE

PERFORMANCE AUDIT: SMART AND RF METERS' CONTRIBUTION TO MORE ACCURATE AND TIMELY UTILITIES BILLING

November 2021

By November 2022, a new Head of Terms (HoT) agreement will be signed by all three stakeholders: Enemalta, the Water Services Corporation (WSC), and the Automated Revenue Management Services (ARMS). The new agreement will reflect the current circumstances of a 50:50 ratio between Enemalta and WSC to finance the day-to-day operations of ARMS. A clause in this HoT agreement stipulates that within three months from its signing, a Service Level Agreement (SLA) is signed to assist the monitoring and regulation of issues related to the whole scope of the HoT agreement. This SLA will incorporate all the mutually agreed Key Performance Indicators such as bill adjustments/revisors/write offs, debtors ratios and bad debts. These KPIs will be sent monthly by the utilities companies to the billing agency. The HoT will also include specific clauses delving further into a joint approach between ARMS and WSC towards reducing apparent losses related non-revenue water (NRW).

In October 2021, the WSC started the process to integrate real and apparent loss management at regional level. Intelligent algorithms have been put in place to support this two-pronged approach to NRW reduction. This approach will ensure that all efforts expended by the regions' workforce will be directed on whichever of the technical and apparent losses offers the largest overall gains rather than be exclusively driven by real loss reduction. WSC is targeting an average reduction of approximately 2% per annum in total NRW.

Regarding meter readings, WSC are carrying out two key improvements: receiver layer improvements to boost

reception in low radio reception areas, and switching more meters to automated readings. Enemalta is tackling the issue of meter readings by introducing additional outdoor concentrators in addition to the ones installed in substations and upgrading the substation concentrators to newer improved models. Enemalta is also introducing second generation Smart meters, together with the associated RF network and equipment.

Over the years, ARMS has increased its workforce to keep up with market demands in view of the ever-increasing new service applications. ARMS have created new service channels such as the ARMS portal, and new service offerings such as PV and EV services. With the increase in staff and the creation of new services, ARMS have managed to significantly improve the service to consumers and to reduce waiting and service time. ARMS also strengthened the credit control and the legal department to keep the number of debtors down and follow up cases legally before these become time-barred. Notwithstanding the increase in the number of automated readings, ARMS considered it necessary to retain the meter reader section, which complements smart metering technology. This section ensures that bills are issued on actual readings every two months instead of the previous practice whereby actual readings were issued every six months. ARMS have also conducted a study to address the issue of annualised billing methodology as opposed to pro-rata calculation methodology. Following the outcome of this study, a legal notice has been drafted to amend existing legislation, reflecting the new mechanism of the billing process.

MINISTRY FOR FINANCE AND EMPLOYMENT

IT AUDIT: IT ASSET MANAGEMENT ACROSS GOVERNMENT MINISTRIES AND DEPARTMENTS November 2021

The NAO based their audit report on an extensive review of a sample of five public entities chosen at random, all having different characteristics and work processes. The NAO noted that the major stakeholders, notably the Directors Corporate Services (DCS), Chief Information Officers (CIO) and Malta Information Technology Agency (MITA) kept their own version of the fixed asset inventory with the details they require about each asset. These different inventory versions are very difficult to compare. In certain cases, some IT assets may have multiple inventory numbers, such as the one given by MITA, and another one given by the DCS. The NAO recommended that a new Asset Management System (AMS) should be acquired to serve all the keyholders of the process, without the need to place data under different identification numbers on different systems.

To address this recommendation, a working group composed of ICT officers from different Information Management Units (IMU) and headed by the CIO-Ministry for Finance and Employment (MFE) was set up and tasked with drawing up IT Fixed Asset and Stock Management Requirements. This document is serving as a starting point to compile a list of specific tasks and functionalities required by the inventory system.

A consultant has been engaged by the Treasury Department and has been assigned to work on a number of NAO's recommendations related to the review of MF Circular number 14/99, covering inventory management of all asset types owned by Government owned assets, to ensure alignment with the International Public Sector Accounts Standards (IPSAS) and the Corporate Financial Management Solution (CFMS) procedures. The NAO recommended that the Inventory Control Regulations are to be

updated to reflect the asset definitions/recognition and asset management guidelines stipulated in IPSAS such as IPSAS 17 and IPSAS 31.

The NAO recommends that circular MF circular 14/99 be revamped in such a way that the proposed asset management system includes the data fields listed in their report. The MFE concurs with this recommendation and is proposing to implement it by means of drop-down lists in the new AMS, indicating the assets' location details of tangible and intangible assets, which, at present, can be obtained via the CFMS. MFE has also taken on board the NAO's recommendations that IT assets used for remote working are marked as such in the system, to have a full audit trail capturing all the changes carried out on the electronic inventory lists, and that the AMS also includes the function of a periodical confirmation of location of assets by the respective asset custodian, and subsequent verification by a superior officer. These functions will be part of the new AMS.

Updates to the current inventory circular will also address the disposal of IT assets and that disposal records include details of the data wiping method used and who carried out data wiping, documenting the full process of disposal.

In June 2022, the MFE set up a task force, consisting of MITA officials, CIOs, ICT Officers, DCSs and financial controllers from various Ministries, to analyse the conclusions reached and recommendations made in the NAO's report, and come up with a proposal for a revamped asset management circular in line with IPSAS and CFMS procedures, and an IT asset management strategy that addresses stakeholders' short and long term requirements. Ultimately, the task force will be able to draw up the requirements

for a single integrated AMS with the aim of having the requirements of the main stakeholders housed within one inventory system and interfacing with the CFMS to ensure compliance from a Government accounting perspective. This would reduce duplication of data, and results in easier data maintenance.

The IT asset management strategy will detail all the information that is to be stored in the AMS, as well as the information to be inputted in the CFMS. An external reference number will be used to link the assets between the two systems.

Essential requirements of the proposed new AMS are that the system would be common for all Government Ministries and Departments using one unique asset identification number that is used by all stakeholders, that it captures fixed asset details from procurement to disposal stages, and that the system operates on a common reference ID number identifiable in both the AMS and CFMS to enable cross reference checks.

The Task Force should clearly establish and indicate who are the asset custodians and the asset management officers. IMUs are currently responsible for IT assets, and thus it is their responsibility to maintain an accurate inventory. It is of utmost importance to adopt a unique asset identification number to be used by all stakeholders. The Task Force will also recommend a way forward in relation to third party and donated IT assets.

The MFE fully concurs with the NAO's recommendation that the Government asset inventory should also include all IT intangible assets such as perpetual licence software, software subscriptions, Virtual Machine (VM) servers, cloud-based servers, and so on. This functionality will be included in the new AMS. In the interim, CIOs are retaining inventory information relating to intangible assets and this is being forwarded to the Treasury.

The new AMS will also include the functionality for the use of barcodes or Quick Response (QR) codes as an asset identification number that can be scanned to increase efficiency in inventory verification and auditing processes. Ministries are ensuring that inventories are checked and updated at least once annually.

Ongoing training in Inventory and Asset Management offered by the Institute for Public Services (IPS) is essential for IT asset management officers. Furthermore, when MF Circular 14/99 is reviewed and updated, its contents should be explained in a proficient manner to all IT officers and IT asset management officers, as well as officers in charge of the inventory. Training on the new AMS functionalities would also be of paramount importance to all its users, including manuals on the operation of the system.

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

PERFORMANCE AUDIT: A STRATEGIC OVERVIEW ON THE CORRECTIONAL SERVICES AGENCY'S OPERATIONS AT THE CORRADINO CORRECTIONAL FACILITY

December 2021

The NAO commented on Corradino Correctional Facility's (CCF) divisions' state of repair. The Correctional Services Agency (CSA) is regularly inspecting the different divisions and is carrying out the necessary refurbishment as required. In fact, several divisions were fully refurbished. To increase the CCF's physical capacity, the CSA started works on a new division that will hold 140 beds. Due to CCF's limited capacity, the CSA is in discussions to acquire a property in the vicinity of the CSA.

The CSA has recruited 38 new Correctional Officers (COs) and has started a recruitment process for 40 additional COs. In January 2023, another recruitment process to engage additional COs will commence, in accordance with the approved HR plan. The CSA has also recruited a number of psychology assistants and social welfare professionals to safeguard the wellbeing of inmates. In parallel with the recruitment of these professionals, in March 2022, the CSA renewed the agreement with FSWS to obtain the services from FSWS professionals. This agreement is valid up to the end of 2025.

The CSA commissioned an external HR consultant to carry out a study to determine the ideal complement of COs and professionals required, establish the skills required of every CSA staff member, the skills gap, and the overtime hours required. Based on this report, the CSA has drawn up a training program. In June 2022, the CSA started providing various in-service training. Certain training courses are obligatory whilst others are optional, but the latter can improve one's prospect for career progression. A performance assessment procedure for all COs has been adopted. Another study was carried out on the CSA operations and technicalities to determine the resources currently at its disposal.

The Ministry and the CSA are collaborating to introduce electronic tagging in order to enhance the

rehabilitation process of inmates and alleviate the burden on the prison facility. The CSA has drafted all the technicalities for the electronic tagging system. The Offenders Management System, which will incorporate information on all aspects of an inmate's incarceration/s, will become operational by December 2022.

The CSA has developed and is in the process of implementing a new rehabilitation programme called Step-out programme. This programme focuses on facilitating the social reintegration of inmates into the community.

The CSA plans to extend its care plan for all inmates by the end of 2022. This care plan includes educational and vocational training courses. MCAST and CSA have signed an MoU, whereby inmates can follow MQF accredited courses which will help them find employment in the industry. The CSA also concluded an EU-funded IT project with University of Malta through which around 140 prisoners have graduated after successfully completing a course of study. In addition, the CSA provides in-house training to all inmates. In relation to employment, the CSA has initiated a new system to allocate work to inmates within the facility, which forms part of their care plan and rehabilitation process. A small number of prisoners are also granted the opportunity to work outside the correctional facility. To this effect, the CSA has set up a board to facilitate work placements.

By December 2022, the CSA will draft and circulate several SOPs detailing the full procurement process, invoice processing, segregation of duties and project management. The CSA are and will continue providing holistic training to its staff that is linked to the SOPs, as well as relating to matters concerning mental health and restorative justice, among others. The training provided will be further formalised through the CSA Academy.

MINISTRY FOR THE NATIONAL HERITAGE, THE ARTS AND LOCAL GOVERNMENT

AUDIT REPORT BY THE AUDITOR GENERAL ON THE WORKINGS OF LOCAL GOVERNMENT FOR THE YEAR 2020

December 2021

One main issue treated by the NAO in compiling their report was related to the late submission of audited financial statements by the majority of the 74 Local Authorities. To address this issue the Directorate for Monitoring and Support within the Local Government Division (LGD) has issued a circular to all local councils delineating time frames and deadlines by which unaudited and audited financial statements must be submitted. Late submissions are being recorded by the Monitoring Unit. The new collective agreement entitled 'Working Conditions for Executive Secretaries within Local Government' includes a new provision, giving the LGD the discretion on the Executive Secretary's performance bonus rating. A report on defaulting Executive Secretaries will be issued by the Monitoring Unit at the end of each year prior to their performance appraisals, which will, in turn, reflect negatively on their performance review.

The NAO's audit also revealed various control weaknesses across the Local Government sector. The LGD is doing its utmost to address shortcomings in various areas, mainly in accounting, procurement, fixed assets and non-adherence to rules and regulations in general, by providing pertinent training to Executive Secretaries. The Finance and Procurement Compliance Directorate (FPCD) will be conducting desk-based compliance reviews on a sample basis, targeting cases of non-adherence to applicable regulations in procurement and finance. Apart from compliance reviews, it is envisaged that the FPCD will soon start carrying out internal audit reviews, based on a risk approach, targeting high-to-medium risk local councils.

The FPCD is also monitoring the financial performance and position of each local and regional council to identify problematic or defaulting local councils. The Directorate acts in a consulting capacity to assist local

councils in implementing appropriate preventive or corrective measures, whilst the latter are encouraged to discuss with their respective accountant remedial actions to reduce excessive errors in their accounts.

FPCD holds meetings with local and regional councils with negative reserves, negative working capital or a Financial Situation Indicator (FSI) under the legal requirement of 10%. A collective workshop with Executive Secretaries will be held to discuss multiple issues such as the funding formula, accounting issues and other matters that may result in changes in the legal provisions. Local councils with major adjustments in the yearly risk assessment eventually will be included in the risk-based plan for yearly Internal Audit Reviews.

Financial reports are a critical source of information for the public to understand the financial performance, as well as the implications of potential economic decisions. The NAO criticised the level of audit opinions submitted by the Local Authorities and were described as lacking completeness, comprehensiveness, and integrity. To address this issue the LGD is currently in the process of outsourcing the service of an accountant to work under the direction of Director (FPCD). The accountant's duties include onsite visits at the Local/Regional Councils' premises to carry out internal controls, provide qualified opinion and where audit adjustments are required, propose remedial actions. For each local council an action plan will be issued and monitored by the FPCD.

The FPCD reviewed the reasons underlying Disclaimer of Opinion by local government auditors for Kalkara and Valletta local councils. A meeting was held with their respective accountants to clarify existing issues. The Directorate together with the Executive Secretaries and accountants of the two local councils

concerned, subsequently held a meeting with the NAO to address the issue and submit justifications for the removal of the disclaimer of opinion by the external auditor.

The NAO proposed that the LGD should enhance its monitoring function, to ensure sound financial management across all local authorities. The Monitoring Unit monitors the expenditure incurred by local councils and draws the attention of the pertinent local councils when irregular expenditure is identified. As a long-term cost reduction measure to address the negative financial situation faced by a number of local councils, as from the second quarter of 2022, the FPCD started holding meetings with the local councils (and their accountants), with a deficit, negative reserves and a negative working capital. They were required to fill in a template and submit a three-year financial forecast towards an improved financial plan. In the third quarter of 2023, the directorate will monitor any progress achieved and will issue status reports.

The NAO also highlighted a long-time pending issue regarding the funding mechanism which needs to be revised to reflect the realities faced by local councils. To this effect, the LGD is in the process of reviewing the funding formula to identify possible enhancements for a more realistic apportionment of funds. A consultation meeting is planned with local councils in the last quarter of year 2022, consisting of one collective workshop with Executive Secretaries to discuss multiple issues such as the funding formula, accounting issues and other matters that may result in changes to legal provisions, including meaningful ratios which provide a more comprehensive assessment of a local council's financial sustainability.

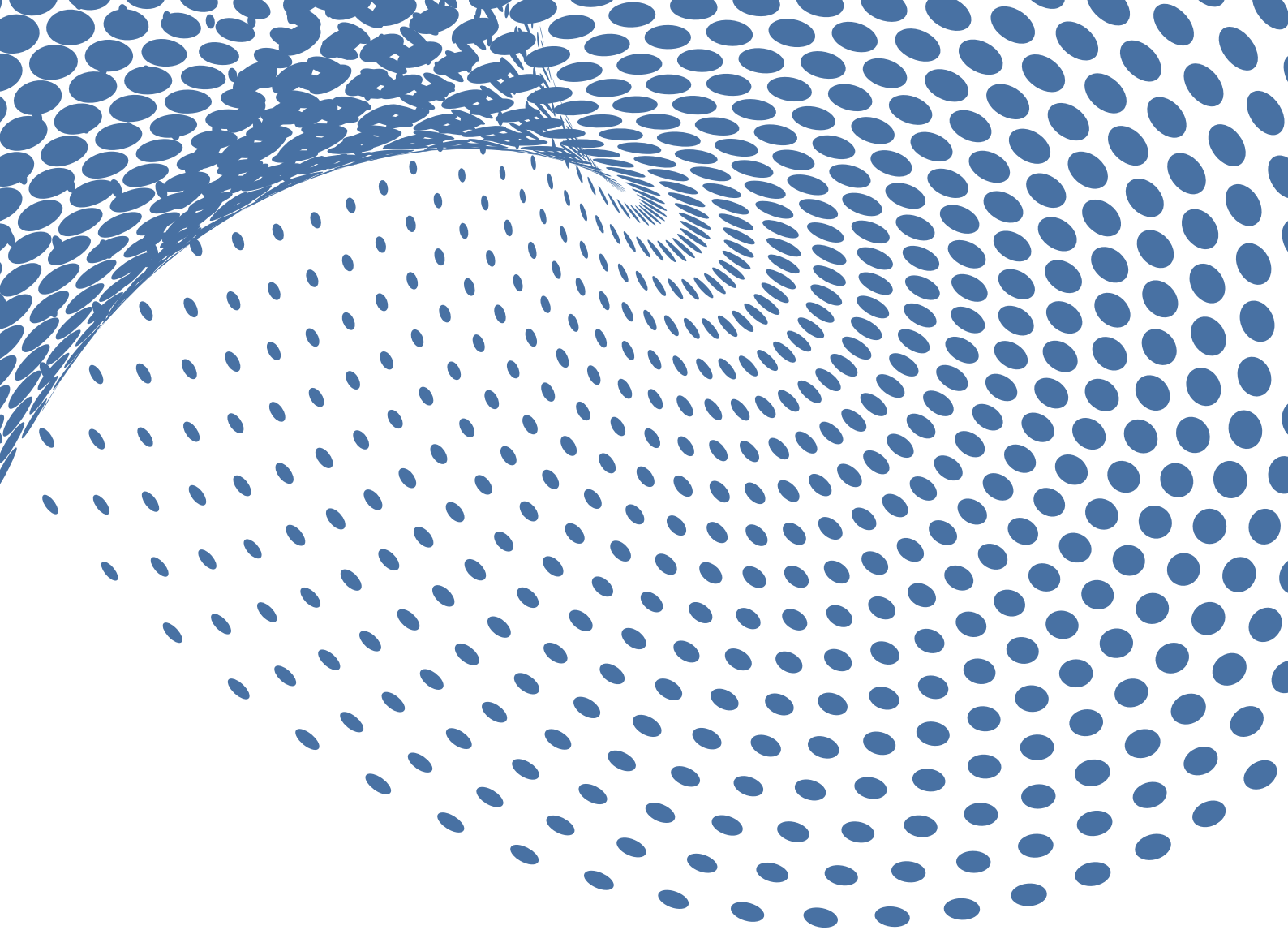
With regard to the NAO's remarks on the liquidation process of Joint Committees which had been planned to wind up in 2012, the FPCD held meetings with authorised officers who oversaw Joint Committees during the period when the latter were still active. The objective of these meetings was to determine

the actions taken by these officers to close off Joint Committee accounts at the time of the last transaction. By the last quarter of 2022, an action plan will be drawn up on the basis of the outcome of the aforementioned meetings, delineating the procedure to be adopted for the dissolution of these committees, which is expected to be completed by the last quarter of 2023.

The NAO commented negatively on the fact that local councils failed to administer the waste management contract which entered into effect on 1 January 2020, and pay in full all related charges, including tipping fees to WasteServ Malta Ltd. The LGD remarked that as part of the Local Government Reform and, as mandated by the EU Waste Framework Directive, as from 2022 the Regional Councils were required to issue a call for tenders for the service of waste management to local councils to increase economies of scale, harmonise waste collection practices and modernise the fleet. The LGD is facilitating the process for new procedures to be introduced, including simplification practices on waste tipping fees and organic waste expenditure refunds.

Conscious of the fact that decisions are made and approved during meetings, the LGD ensures that meetings are held in accordance with article 43 of the Local Government Act, which stipulates that Local Council and Regional Council Meetings are held at least once a month. Moreover, LGD ensures that the minutes are kept according to the Standing Orders in the Sixth Schedule to the aforementioned Act.

To obtain the desired results, the LGD is committed to adhere to the work plan delineated in this write-up, whilst providing continuous training to Executive Secretaries and other employees, particularly covering accounting and procurement procedures. The LGD believes that with determination and a joint effort by everyone involved, it can maintain public confidence and safeguard democracy, whilst adhering to the applicable rules and regulations.



FOLLOW-UP ON
PENDING ACTIONS
2021

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
ST VINCENT DE PAUL RESIDENCE – PERSONAL EMOLUMENTS		
<p>Inadequate allowances breakdown</p> <p>SOPs detailing the reconciliation process are being compiled.</p>	March 2022	<p>Implemented in December 2021</p> <p>SOPs detailing the reconciliation process were drawn up and distributed to the officers concerned.</p>
<p>Procedures of time off in lieu not formalised</p> <p>A Manual of Procedures for HR is being compiled.</p>	December 2021	<p>Implemented in December 2021</p> <p>The Manual of Procedures for HR was compiled and distributed to the officers concerned.</p>
<p>A meeting was held with the Chief Information Officer to update the DAKAR system, including the time off in lieu (TOIL) balance, which will be processed for payment after four weeks.</p>	March 2022	<p>Partially implemented</p> <p>Meetings with Dakar administrators have been ongoing since May 2021.</p> <p>In the interim SVP is using an excel database to keep a record of the employees' TOIL balance manually to be processed for payment after four weeks.</p>
<p>The DAKAR system will also be updated for HR by introducing new modules and modifying existing modules to include TOIL.</p>	December 2021	<p>Partially implemented</p> <p>Meetings with Dakar administrators have been ongoing since May 2021 to discuss the required updates on Dakar modules.</p> <p>It is anticipated that the necessary changes will be finalised by end of December 2022.</p>
ELDERLY AND COMMUNITY CARE – DEBTORS AND PRE-PAYMENTS		
<p>Ineffective collection procedure</p> <p>A bank account for the AACC will be set up in order to facilitate payments.</p>	October 2021	<p>In the process of being implemented</p> <p>The process to facilitate the payment through direct payment has been initiated by using the generic bank accounts. AACC intends to have a specifically-allocated bank account to be used solely by AACC in order to facilitate matters.</p> <p>It is anticipated that this process is to be completed by the end of December 2022.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
ELDERLY AND COMMUNITY CARE – CREDITORS AND ACCRUALS		
<p><i>Overstated balances in the creditors' list</i></p> <p>Once the CFMS is fully implemented, and the related training regarding reporting is given, reconciliations can be performed more easily.</p>	<p>December 2021</p>	<p>Not yet implemented</p> <p>Training related to CFMS Reporting that had to be delivered during October 2021 was cancelled.</p> <p>A fresh invitation for the training is expected.</p>
<p>The nominated employees will attend the training programme upon invitation.</p>	<p>December 2021</p>	<p>Not yet implemented</p> <p>Training related to CFMS Reporting that had to be delivered during October 2021 was cancelled.</p> <p>A fresh invitation for the training is expected.</p>
<p><i>Incorrect ageing of creditors</i></p> <p>Training in relation to the CFMS will be provided to all staff concerned.</p>	<p>December 2021</p>	<p>Not yet implemented</p> <p>Training related to CFMS Reporting that had to be delivered during October 2021 was cancelled.</p> <p>A fresh invitation for the training is expected.</p>

MINISTRY FOR THE AGRICULTURE, FISHERIES AND ANIMAL RIGHTS

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
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STORE ITEMS AND FIXED ASSETS

Stocks

December 2021

Implemented in December 2021.

The National Veterinary Laboratory have issued a tender for the procurement of a laboratory information management system.

The system is in development and certain modules are under testing. The system is expected to be fully deployed in a live environment in the third quarter of 2022.

VETERINARY AND PHYTOSANITARY REGULATION DEPARTMENT – COMPLIANCE (NOW VETERINARY REGULATION DIRECTORATE)

Shortcomings related to staff

September 2022

Not implemented.

Furthermore, for next year's scholarship allocations, the Veterinary Regulation Directorate (VRD) is holding discussions with MEDE on the possibility of undertakings.

Alternatively, on the advice of OPM, the VRD is holding ongoing discussions with the Institute for the Public Services regarding the possibility of undertakings.

Penalisation for illegality

March 2022

Implemented in September 2021.

The legal framework relating to administrative fines needs to be updated. A legal notice is being drafted, establishing administrative fines for specific offences.

The enactment of a Subsidiary Legislation 439.23, introducing Administrative Penalties Regulations, was published on 3 September 2021.

Limitations in the systems in place

March 2022

Partially implemented in July 2021.

The current VRD system (NLD) is being replaced. A call for tender for the provision of an Animal, Food and Feed Health Information System has been published. The tender provides for regular system enhancements to meet the needs of the Department.

The tender was awarded, and the contract was signed on 30 July 2021. The system has been deployed in a live environment, and further development is being carried out until December 2022.

MINISTRY FOR THE ECONOMY, EUROPEAN FUNDS AND LANDS

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
MALTA INDUSTRIAL PARKS LTD – INVENTORY		
<p><i>Lease contracts not drawn up</i></p> <p>Termination and new encroachment agreements will be signed with Transport Malta, and Infrastructure Malta, respectively.</p>	October 2021	Implemented in August 2021
<p>Once the agreement is signed, Infrastructure Malta will pay the rent due retrospectively from the date it occupied the building.</p>	October 2021	Implemented in August 2021
<p><i>No revision of estate scoring</i></p> <p>INDIS will publish an economic impact study report in relation to rental rates.</p>	December 2021	Implemented in August 2021
<p><i>Late approval of annual accounts</i></p> <p>The audited financial statements for 2019 have been concluded and will be signed once the valuation exercise is finalised.</p>	September 2021	Implemented in August 2021
<p>The audited financial statements for 2020 will follow after the statements for 2019 are signed.</p>	October 2021	Implemented in June 2022

MINISTRY FOR EDUCATION, SPORT, YOUTH, RESEARCH AND INNOVATION

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
FOUNDATION FOR TOMORROW'S SCHOOLS – CAPITAL EXPENDITURE		
<p><i>Official hand-over not yet given</i></p> <p>The Foundation for Tomorrow's Schools (FTS) relinquishes its remit over the school upon handing over the BoQs documentation. The remit on the population of the inventory database and its updating with reference to any additions, write-offs, and disposals rests with MFED.</p>	<p>November 2021</p>	<p>Implemented in November 2021</p> <p>Final bills issued after the findings and recommendations of the NAO audit regarding the Marsascala project related only to the furniture tender. This was subsequently transmitted by FTS to MEYR in line with NAO recommendations.</p>
<p><i>Shortage of Staff</i></p> <p>Once and as approved, additional architects, project managers and quantity surveyors will be engaged accordingly.</p>	<p>January 2022</p>	<p>Not yet implemented</p> <p>Though the HR Plan was submitted and discussed with P&SD, no approval has as yet been forthcoming, and consequently no engagement can be made until approval is given.</p>
MCAST – PERSONAL EMOLUMENTS		
<p><i>Discrepancies and undocumented changes in basic salary payments</i></p> <p>The Malta College of Arts, Science and Technology (MCAST) is committed that any future agreements with the Union are in line with the current collective agreement (CA).</p>	<p>December 2022</p>	<p>In the process of being implemented</p> <p>Currently MCAST and the Malta Union of Teachers (MUT) are discussing the new CA and the college will ensure that all salaries practices will follow the agreed provisions.</p> <p>In the meantime, as from June 2021, a thorough exercise was carried out to update and record each employee's personal file with any salaries adjustments. This is an ongoing exercise.</p> <p>It is anticipated that the CA will be finalised by December 2022.</p>
<p>MCAST intends to commence discussions with MUT to agree upon and finalise a new collective agreement, effective from January 2023.</p>	<p>December 2021</p>	<p>Implemented in April 2022</p> <p>In April 2022 MCAST commenced discussions on the new collective agreement with MUT, in the presence of IRU. Discussions are ongoing and are expected to be finalised in December 2022.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
<p><i>Work resources allowance not adequately managed</i></p> <p>When this exercise is concluded, MCAST management will have in hand the report with the findings, including the methodology to be applied, the viability, the risks MCAST is encountering with the current procedure, and the sample size to be considered during the audit process.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>MCAST has assigned an external audit company, through a call issued in accordance with procurement procedures, with the task to ensure that the funds being allocated to the various lecturing grades are being utilised in line with MCAST policy and in the most cost effective and efficient manner.</p> <p>In the meantime, a thoroughly detailed operational approach is being undertaken to actually provide a transparent way to handle these allowances.</p> <p>Full implementation is expected by December 2022.</p>
<p>A new electronic system will be adopted for the submission of receipts. MCAST will update the respective policy to reflect the new process including the retention of original documentation.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>A Work Resource Allowance Committee is in place, holding meetings every five weeks. The Committee is composed of two members from MCAST, two members from MUT, and an independent chairperson to monitor and update the policy as required. Moreover, MCAST has been discussing and has agreed on a way forward to upgrade the payroll system to incorporate other services needed by MCAST. The exercise started in September 2021 and the first phase is at conclusion stage. Subsequently, the matter will be presented to MUT, prior to the implementation of the process.</p> <p>Full implementation is expected by December 2022.</p>
<p><i>Payment of information technology related allowance not duly substantiated</i></p> <p>MCAST will raise the issue for consensus in the upcoming collective agreement.</p>	<p>December 2022</p>	<p>In the process of being implemented</p> <p>Currently MCAST and MUT, in the presence of IRU, are discussing the new CA and the college will ensure that all remuneration practices will follow the agreed provisions.</p> <p>Full implementation is expected by December 2022.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
<p>Limited control over work resources</p> <p>MCAST will be implementing an electronic system whereby receipts will be uploaded by each lecturer and no physical receipts would need to be presented to the WRA team. MCAST will reserve the right to request the original receipts for audit purposes, in line with the respective policy.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>MCAST has been discussing and has agreed on a way forward to upgrade the payroll system to incorporate other services needed by MCAST. The exercise started in September 2021 and the first phase is at conclusion stage. Subsequently, the matter will be presented to MUT, prior to the implementation of the process.</p> <p>Full implementation is expected by December 2022.</p>
<p>The Cost Benefit Analysis will cover and assess the scope, methodology, the viability, the relevant risks, and the adequate sample size required for the audit. The report will be concluded by December 2021.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>MCAST has assigned an external audit company, through a call issued in accordance with procurement procedures, with the task to ensure that the funds being allocated to the various lecturing grades are being utilised in line with MCAST policy and in the most cost effective and efficient manner.</p> <p>Full implementation is expected by December 2022.</p>
<p>Lack of control on the observance of core hours of work by lecturers</p> <p>Discussions are being held with the MUT regarding the introduction of a proper time and attendance mechanism through the new collective agreement.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>Currently MCAST and MUT are discussing the new CA and the college will ensure that this action is taken in consideration during the discussions.</p> <p>Full implementation is expected by December 2022.</p>
<p>In the new collective agreement, MCAST will be proposing flexible hours to meet the dynamic management of the college's timetable.</p>	<p>December 2021</p>	<p>In the process of being implemented</p> <p>Currently MCAST and MUT are discussing the new CA and the college will ensure that this action is taken in consideration during the discussions.</p> <p>Full implementation is expected by December 2022.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
<p>No reconciliations between missed and replaced hours</p> <p>MCAST is exploring methods to adopt one coherent system by either enhancing the current systems or purchasing a new system.</p>	December 2021	<p>In the process of being implemented</p> <p>Currently MCAST is upgrading its payroll system throughout, hence the new system will have an inbuilt control whereby no double claiming of the same hours will be possible. MCAST and MUT are discussing the new CA and the college will ensure that such procedures are taken in consideration during the discussions.</p> <p>Full implementation is expected by December 2022.</p>
<p>A new procedure for timetabling and the methodology that will be applied for core hours, will be discussed for inclusion in the new collective agreement.</p>	December 2021	<p>In the process of being implemented</p> <p>Currently MCAST is upgrading its payroll system throughout, hence the new system will have an inbuilt control whereby no double claiming of the same hours will be possible. MCAST and MUT are discussing the new CA and the college will ensure that such procedures are taken in consideration during the discussions.</p> <p>Full implementation is expected by December 2022.</p>
<p>No inbuilt validation in the payroll system</p> <p>Discussions are being held with the payroll system provider to incorporate a functional data validation system.</p>	December 2021	<p>In the process of being implemented</p> <p>Currently MCAST is upgrading its payroll system throughout, hence the new system will have an inbuilt control whereby no double claiming of the same hours will be possible. MCAST and MUT are discussing the new CA and the college will ensure that such procedures are taken in consideration during the discussions.</p> <p>Full implementation is expected by December 2022.</p>
<p>Inaccurate payments</p> <p>A cost-benefit analysis to determine the sample size will be finalised.</p>	December 2021	<p>In the process of being implemented</p> <p>MCAST has assigned an external audit company, through a call issued in accordance with procurement procedures, with the task to ensure that the funds being allocated to the various lecturing grades are being utilised in line with MCAST policy and in the most cost effective and efficient manner.</p> <p>Full implementation is expected by December 2022.</p>

MINISTRY FOR THE ENVIRONMENT, ENERGY AND ENTERPRISE

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
WASTE SEPARATION: ORGANIC BAG - EXPENDITURE		

Delays by local councils claiming reimbursements

December 2021

Implemented in December 2021

Following an agreement between WasteServ Malta (WSM) and the Local Councils Association (LCA), WSM will start implementing a deadline of three months instead of thirty days. WSM will send the data to Local Councils (LC) related to weighbridges by not later than one month. The LC will then have two months to present an invoice.

A clause to this effect has been included in all contracts signed in 2022.

Under this agreement, invoices sent after the two-month deadline will not be processed by WSM.

December 2021

Implemented in December 2021

Not all LCs have abided by this condition. WSM, together with the LCA, is exerting pressure through various means, including sending a letter informing the LC of the time frames, after which invoices would not be processed.

MINISTRY FOR FINANCE AND EMPLOYMENT

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
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MALTA FINANCIAL SERVICES AUTHORITY - EXPENDITURE

Procurement

October 2021

Not yet implemented.

Consolidation of all contracts, including details held on the spreadsheet, will be maintained on the new system, which system is expected to be implemented in October 2021.

Upon further analysis, it was determined that a new contract management system is required as the add-on to the current accounting system would not be a feasible solution. For this reason, an open public tender was considered necessary.

The MFSA is currently drafting the technical requirements for the open call for tenders, with the objective of sending it to the Sectoral Procurement Directorate (SPD) for vetting and publishing by end 2022.

Estimated date of implementation is March 2024.

The add-on module interfacing with the accounting system will be completely live in January 2022.

January 2022

Not yet implemented.

This recommendation is connected to the previous one and the same comments as above apply.

Estimated date of implementation is March 2024.

Travel

November 2021

Implemented.

The MFSA plans to review its travel policy so that this is aligned with the Public Sector's travel guidelines.

The revised MFSA Travel procedures have been effective as from 25 October 2021.

DEPARTMENT OF CUSTOMS – DEBTORS AND PREPAYMENTS

Inadequate record-keeping systems for trade receivables

December 2021

Implemented in July 2022.

The employees concerned will attend training in relation to CFMS upon invitation from the Treasury Department.

The CFMS training which was planned for December 2021 was postponed by the Treasury Department and was re-scheduled for July 2022.

DUTY ON DOCUMENTS - REVENUE

Arrears of revenue

December 2021

In the process of being implemented.

Discussions are being held with the office of the Commissioner for Revenue (CFR) to embed risk-management procedures in the department.

Estimated date of implementation is December 2022.

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
Discussions are being held with MITA to enhance the pending claims report and for these to be automatically generated on a quarterly basis.	December 2021	Implemented in July 2022.
Discussions with MITA are being held to ensure that the required enhancements to the ASM application are carried out.	November 2021	Implemented in November 2021.
The required enhancements to the ASM applications will be implemented once discussions are concluded.	December 2021	Implemented in December 2021.
CTD and MITA are working to ensure that the source from which the ASM system reads is correct and accurate at all times.	December 2021	Implemented in December 2021.
CTD is ensuring that incorrect balances in the system are rectified without any further undue delays.	December 2021	Implemented in December 2021.
The system will be able to generate a report showing outstanding amounts and indicate the amounts that are close to become statute-barred. The report will be automatically communicated to CTD's management for any necessary action.	December 2021	Not yet implemented. This action had to be postponed by one year due to other commitments by MITA. The project has been re-scheduled and it is estimated to be implemented in December 2022.
Register of active agreements not in place CTD will ensure that past agreements will be compiled in the new register for monitoring and control purposes.	December 2021	Implemented in December 2021.
Procurement of architects' services not in line with the regulations CTD is in the process of issuing and subsequently awarding a tender for architects' services, in line with the Public Procurement Regulations.	December 2021	In the process of being implemented. The tender was awaiting clearance from the Department of Contracts. Estimated date of implementation is September 2022.

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
COMMISSIONER FOR REVENUE – COLLECTION OF CLASS TWO SOCIAL SECURITY CONTRIBUTIONS		
<p>No enforcement</p> <p>CfR will be proceeding with enforcement action which will be followed up as necessary.</p>	<p>December 2021</p>	<p>Implemented.</p> <p>A first batch of enforcement letters was issued to defaulters in April 2022. Feedback from these letters is being checked with a view of improving the process for further batches of letters to be issued during the period September to December 2022.</p>
<p>Discussions are being held between CfR, DSS and MITA to develop an automated mechanism to issue reminders for the collection of Class II SSC with the aim to ensuring the timely collection of amounts due to the government. This is a project under the Taxation and Social Security CONvErGE programme.</p>	<p>November 2021</p>	<p>In the process of being implemented</p> <p>The tender issued under the Taxation and Social Security CONvErGE programme had no bidders. Hence an expression of interest for software development on this project and other initiatives on the existing (legacy) IT systems and modernised IT systems was issued in July 2022.</p> <p>If this procurement is successful, the project is estimated to be finalised by the end of June 2023.</p>
<p>No enforcement action to collect outstanding Class Two SSC</p> <p>The discussions are progressing well and issues should be resolved by December 2021. The IT team is also working to finalise the implementation required so that CfR issues the enforcement notices accordingly.</p>	<p>December 2021</p>	<p>Implemented.</p> <p>A first batch of enforcement letters was issued to defaulters in April 2022. Feedback from these letters is being checked with a view of improving the process for further batches of letters to be issued during the period September to December 2022.</p>
<p>A web-based data sharing arrangement between CfR and DSS is being developed under the Taxation and Social Security CONvErGE programme with a view that the process becomes automated.</p>	<p>December 2022</p>	<p>In the process of being implemented.</p> <p>The tender issued under the Taxation and Social Security CONvErGE programme had no bidders. Hence an expression of interest for software development on this project and other initiatives on the existing (legacy) IT systems and modernised IT systems was issued in July 2022.</p> <p>If this procurement is successful, the project is estimated to be finalised by end of June 2023.</p>

MINISTRY FOR FOREIGN AND EUROPEAN AFFAIRS AND TRADE

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
MADRID EMBASSY - REVENUE AND EXPENDITURE		
<p>Limited checking by Head Office due to high reliance on the Mission</p> <p>To enhance monitoring and audit Mission's accounts, a call for applications for Manager I (Missions Accounts) has been included in MFEA HR Plan for 2022.</p>	<p>Q1 2022</p>	<p>Implemented in May 2022.</p> <p>A vacancy for the post of Manager I (Accounting and Finance), instead of Manager I (Missions Accounts), but with same duties and responsibilities, was included in the HR Plan for 2022.</p> <p>The call applications was issued in May 2022.</p>
<p>Inventory control regulations not adhered to</p> <p>An exercise is being conducted to amalgamate 80 inventory databases into one holistic inventory. This process is being carried out through a specialised programme which will also enable the issue of barcodes.</p>	<p>December 2021</p>	<p>In the process of being implemented.</p> <p>The process of data inputting in a spreadsheet containing assets for CFMS has been initiated. A call for Manager I has been issued in July 2022. The selected candidate will be deployed to perform inventory duties.</p> <p>Estimated date of completion is June 2023.</p>
<p>Once the holistic exercise is completed, the heritage assets catalogue sheet will be updated in line with the current regulations, whilst barcodes and room inventory will be provided to Missions abroad.</p>	<p>December 2022</p>	<p>In the process of being implemented.</p> <p>This exercise was initiated.</p> <p>A call for Manager I has been issued in July 2022. The selected candidate will be deployed to perform inventory duties.</p> <p>In the meantime, MFET is in discussions with CIO-MFET regarding the most feasible solution available to cater for the Ministry's inventory.</p> <p>Estimated date of completion is December 2023.</p>
<p>Statutory information not submitted to the Auditor General</p> <p>MFEA has taken necessary action and committed to submit the end of year inventory report to the NAO, in accordance with the pertinent regulations.</p>	<p>December 2021</p>	<p>Implemented in May 2022.</p> <p>The end of year inventory report was sent to the NAO in accordance with the pertinent regulations.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
MATER DEI HOSPITAL: PURCHASE OF SUPPLIES AND MEDICAL EQUIPMENT - EXPENDITURE		
<p><i>Unclear tender specifications resulting in substantial variations from budget</i></p> <p>The capacity plan for the procurement team also provides for the recruitment of four other researchers. A call for applications will be issued to fill the aforementioned vacancies after the engagement of the two project managers.</p>	<p>October 2021</p>	<p>In the process of being implemented through a different course of action.</p> <p>A call for Manager I (Contracts) was published in October 2021, but proved unsuccessful.</p> <p>A call for Manager II was published in October 2021, but proved unsuccessful. The call was re-published in August 2022.</p> <p>In the meantime, MDH is carrying out an internal review to determine the optimal set-up for a team to support the drawing up of a tender specifications, possibly composed of scientific officers.</p> <p>Estimated date of completion is December 2022.</p>

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
POLICE DEPARTMENT - CAPITAL EXPENDITURE		
<p><i>No evidence of proper needs identification and modifications</i></p> <p>The Police Department (PD), in consultation with various professionals, drafted a framework agreement to encapsulate all minor construction and refurbishing works. A call for tenders for this framework agreement has been published.</p>	<p>October 2021</p>	<p>Implemented through a different course of action.</p> <p>The framework agreement was published but resulted unsuccessful. In the light of the foregoing, the Police Department is resorting to procurement processes for minor projects, in terms of the PPR.</p> <p>With regard to major projects, the Police Department is seeking the assistance of other expert entities such as Projects Plus and Infrastructure Malta to publish calls for tenders on its behalf.</p>
LOCAL ENFORCEMENT SYSTEMS - AGENCY REVENUE		
<p><i>Traffic Management Services</i></p> <p>Further improvements are planned, mainly including the rostering of officers through the same IT system, thus eliminating possible conflicts.</p>	<p>December 2021</p>	<p>In the process of being implemented.</p> <p>Software works are in progress. The project had to be delayed due to other urgent IT projects, including the new collision software, multiple payment system, vehicle owner contact information system, and other updates.</p> <p>Expected date of implementation is December 2022.</p>
<p><i>Cancelled contraventions</i></p> <p>LESA is planning to implement a digitised system to ensure that the respective documentation is always recorded and available on its database.</p>	<p>December 2022</p>	<p>In the process of being implemented.</p> <p>Software works are in progress. The project had to be delayed due to other urgent IT projects.</p> <p>Expected date of implementation is December 2022.</p>
<p><i>Difficulty in collecting long outstanding contraventions</i></p> <p>The process to fill in the position of the Junior Legal Officer has been initiated.</p>	<p>December 2021</p>	<p>Not yet implemented.</p> <p>The call for applications was issued but the selection process was unsuccessful.</p> <p>The call for a Junior Legal Officer is temporarily on hold. The position will be reviewed following the recent signing of a new collective agreement.</p>
<p><i>No details on the Information Technology Audit of the Local Enforcement System</i></p> <p>Based on the recommendation included in the IT audit, frequent clean-ups of past users from the system will be carried out.</p>	<p>December 2021</p>	<p>Implemented in May 2022.</p> <p>This exercise is being carried out bi-annually.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
<p>Local Enforcement System</p> <p>LESA is holding discussions with a software developer to digitise the debt.</p>	December 2022	<p>In the process of being implemented.</p> <p>Works on the software are in progress.</p> <p>Expected date of implementation is December 2022.</p>
<p>Collision reports</p> <p>Discussions are being held with the software developer to enhance the system to ensure an adequate audit trail regarding cancelled collision reports. The system should be in place by the end of year.</p>	December 2021	Implemented in July 2022.
<p>Financial statements not prepared</p> <p>Subsequently, the auditor will proceed to conclude the financial statements for 2020.</p>	December 2021	<p>In the process of being implemented.</p> <p>The audit for reimbursement of regional councils has been completed. Regional councils had up to 30 June 2022 to submit their feedback. This feedback affects the accruals of LESA financial statements. Once this exercise is concluded, the audit for financial years 2020 and 2021 will commence.</p> <p>Expected date of implementation is December 2022.</p>
<p>The matter will be facilitated and subsequently rectified with the new accounting software and the engagement of a full-time financial controller.</p>	December 2021	<p>Partially implemented.</p> <p>The new accounting software was in place in January 2022.</p> <p>A full-time financial controller has not yet been engaged.</p> <p>Full implementation is expected by December 2022.</p>

MINISTRY FOR NATIONAL HERITAGE, THE ARTS AND LOCAL GOVERNMENT

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
HERITAGE MALTA - CAPITAL EXPENDITURE		

Inventory records not adequate

June 2022

In the process of being implemented.

Stages one to five have been fully implemented. Stage six involves the transfer of asset records from the current system into the new Fixed Asset Register's System. In order to ensure completeness and accuracy of the Fixed Asset Register's System, HM is carrying out an exercise across all museums and sites to ensure a complete registration of all fixed assets in the new system.

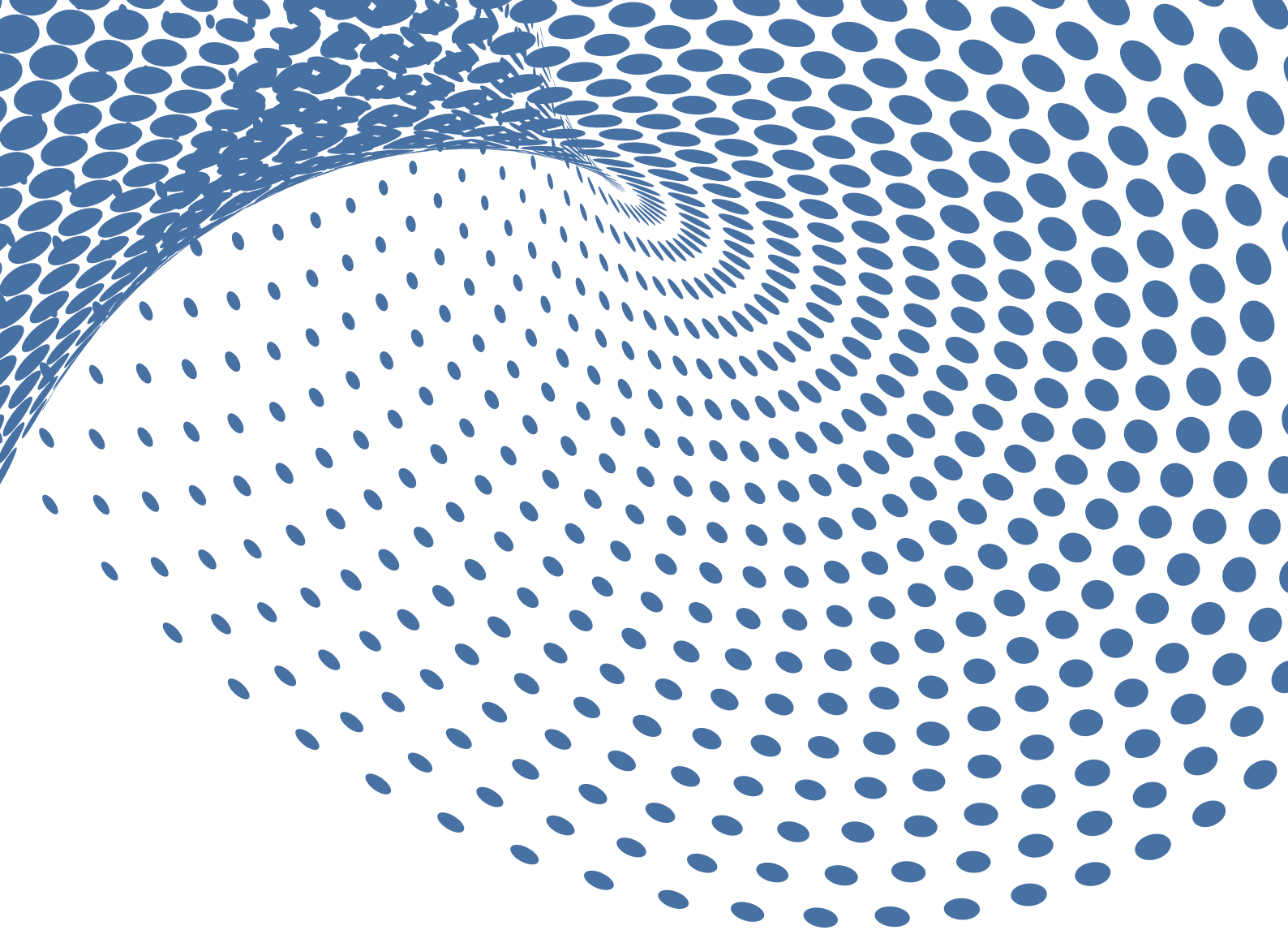
Physical inventory of fixed assets across all HM museums and sites in Malta and Gozo is currently ongoing.

This rigorous exercise is expected to be finalised by June 2023.

MINISTRY FOR SOCIAL POLICY AND CHILDREN'S RIGHTS

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
ENERGY SUPPORT MEASURES – ENERGY BENEFITS		
<p><i>Entitlements of charitable organisations not verifiable</i></p> <p>Discussions have been undertaken with MITA to create a database for water and electricity consumption by charitable organisations to ensure greater visibility and scrutiny by the EB Unit. Before the enhanced system goes live, employees at the EB unit will be given the opportunity to carry out tests over a three-month period to ensure the effectiveness and transparency of the processing of EB benefits.</p>	<p>March 2022</p>	<p>In the process of being implemented.</p> <p>Following meetings with MITA, MSPC was informed that owing to the implementation of Covid-19 benefits, ongoing budget measures and an overloaded scheduled programme of works, this enhancement had to be postponed.</p> <p>Estimated date of implementation is December 2022.</p>
AGENZIIJA GĦALL-HARSIEN TAT-TFAL – REVENUE AND EXPENDITURE		
<p><i>Fees of court assessments and supervised access visits not substantiated</i></p> <p>After a trial period, legal amendments to the Act will be proposed so that the two procedures stated above will have the necessary legal framework.</p>	<p>December 2022</p>	<p>In the process of being implemented.</p> <p>The issue is being discussed holistically with MFE, with the aim of reducing the recurring cost of Supervised Access Visits (SAVs). This would entail the enactment of legal amendments by the Ministry for Justice.</p> <p>Expected date of implementation is December 2023.</p>
<p><i>Manual record of hours worked</i></p> <p>Additional modules will be added to the system to record time and attendance. The system will be implemented gradually, starting with the Head Office.</p>	<p>December 2022</p>	<p>In the process of being implemented.</p> <p>Additional modules are being added to the system on a unit-by-unit basis.</p> <p>Estimated date of implementation is December 2022.</p>

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2021	DATE OF IMPLEMENTATION/STATUS
LICENCES TO HOTELS AND CATERING ESTABLISHMENTS – REVENUE		
<p>Management of debtors concerns</p> <p>The current legislative framework obliges the authority to renew licences notwithstanding any debt or arrears. A new legislation is being drafted which has taken on board the NAO’s recommendation to safeguard public funds.</p>	<p>March 2022</p>	<p>In the process of being implemented.</p> <p>Currently, the new legislation is being discussed and necessary updates are being proposed. The final approval is dependent on the Ministerial review of such legislation.</p> <p>Expected date of implementation is December 2023.</p>
<p>Evidence of plans for onsite visits not available</p> <p>The Malta Tourism Authority (MTA) will analyse the reports generated by the internal review platforms and will focus enforcement and regulatory measures on low-performing operators.</p>	<p>December 2021</p>	<p>In the process of being implemented.</p> <p>MTA is currently subscribed to Review Pro with regard to collective accommodation and it is actively monitoring internal review platforms and analysing data accordingly. Post-covid data is expected to be available in December 2022.</p> <p>The performance of operators, through internal review platforms, is being gauged as tourism picks up after the removal of restrictive Covid-19 measures. The Compliance and Regulatory Directorate started the process of inspecting each licensed hotel and guest house as part of its ongoing inspection routine. These inspections will be followed up with proactive monitoring based on the aforementioned internal process.</p> <p>As from January 2023, inspections on hotels and guest houses, based on the findings of the analysis carried out, are expected to increase in frequency.</p> <p>Regarding catering establishments, the MTA is still seeking sources that are financially viable and provide reliable data. In the meantime, the Authority’s Compliance and Regulatory Directorate investigates all complaints received and, if such complaints are within its legal remit, an onsite inspection is carried out with follow-up action as necessary.</p>



FOLLOW-UP ON
PENDING ACTIONS
2020

MINISTRY FOR THE ECONOMY, EUROPEAN FUNDS AND LANDS

PENDING ACTION/S	IMPLEMENTATION DATE IN GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
MIMCOL – INVENTORY AND TRANSPORT EXPENDITURE		

MIMCOL will ensure that the financial statements are presenting accurate figures.

30 September 2020

Implemented in January 2022.

PENDING ACTION/S	IMPLEMENTATION DATE IN GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
MINISTRY FOR GOZO - STORES		

The maximum and minimum order level will be included in the Stock Module of the CFMS.

31 March 2021

Implemented in April 2022.

MINISTRY FOR HOME AFFAIRS, SECURITY, REFORMS AND EQUALITY

PENDING ACTION/S	IMPLEMENTATION DATE IN GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
OFFICE OF THE REFUGEE COMMISSIONER - EXPENDITURE		
All assets at the new office of the ORC will be assigned an identification number, which number will be affixed to the asset.	December 2021	In the process of being implemented. The inventory related to the International Protection Agency has been compiled. Tentative date for assigning identification numbers to assets is September 2022.

MINISTRY FOR THE NATIONAL HERITAGE, THE ARTS AND LOCAL GOVERNMENT

PENDING ACTION/S	IMPLEMENTATION DATE ON GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
MALTA LIBRARIES - EXPENDITURE		
Malta Libraries will be using the inventory (stocks) module.	31 December 2020	Not yet implemented. This action has not yet been fulfilled due to a delay in the recruitment of personnel. Expected date of implementation is September 2022.

PENDING ACTION/S	IMPLEMENTATION DATE IN GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
OCCUPATIONAL HEALTH AND SAFETY AUTHORITY – EXPENDITURE		

A Management Information System (MIS), comprising a full audit trail of the administrative fines and respective income received, is in the process of being developed to facilitate the collation of information required both for accounting, as well as for internal control purposes. It is expected that this System will be fully operational in 2023.

31 December 2023

Not yet implemented.

Following the change in ministerial portfolios, an Administrative Order was issued by Director of Contracts on 2 June 2022, disengaging the entity from MFH's CPSU Schedule 2 category and procurement cycles and granting OHSA the status to operate as a Schedule 16 Contracting Authority.

The final draft of the tender, drawn up in consultation with MITA and CPSU, is queued to be reviewed by SPD/DoC. Following the issue of the tender, the development of the project/implementation is set for 18 months from the date of contract signature. The contract is expected to be signed in the beginning of 2023.

In the meantime, as recommended by NAO, in collaboration with IMU-MFH, an interim solution was developed that has the recommended controls, including audit trail and user manual until the MIS is fully operational. This interim database has been live for the last two years.

Estimated date of implementation is September 2024.

MINISTRY FOR SOCIAL POLICY AND CHILDREN'S RIGHTS

PENDING ACTION/S	IMPLEMENTATION DATE IN GA REPORT 2020	DATE OF IMPLEMENTATION/STATUS
PUBLIC SOCIAL PARTNERSHIPS – EXPENDITURE		
MFCS will be drawing up SOPs outlining procedures to ensure compliance with pertinent legislation.	31 December 2020	Implemented in Q4 2021. SOPs were finalised and implementation initiated immediately during the fourth quarter of 2021.
MFCS is to draw up an SOP detailing clearly the entire procedure that must be followed by all parties involved. All necessary verifications are to be carried out, duly documented and filed for future reference and audit trails.	31 December 2020	Implemented in Q4 2021. SOPs were finalised and implementation initiated immediately during the fourth quarter of 2021.
An MoU between MFCS and SCSA will be drawn up so as to clearly lay down the tasks to be carried out by both parties, including reporting obligations and communication channels to ensure that regulatory requirements are being complied with.	30 September 2020	Implemented in Q2 2022. The formal signing of the MoU by SCSA and MSFC had to be postponed pending the appointment of the new SCSA CEO. The MoU was signed in the second quarter 2022.
AGE PENSION – EXPENDITURE		
A standard agreement template is being created, which will be recorded in the IT structure.	30 June 2021	Implemented in December 2021.
DSS has reviewed the pre-established list and carried out the necessary enhancements with a view to facilitate explanations within the system for the creation of overpayments.	31 October 2020	Implemented in October 2021.

GOVERNANCE **ACTION**

on the
NAO's Annual Report
on Public Accounts 2020
and other NAO Reports 2021



GOVERNMENT OF MALTA
OFFICE OF THE PRINCIPAL PERMANENT SECRETARY
OFFICE OF THE PRIME MINISTER