Governance Action

on the NAO's Annual Report on Public Accounts 2024 and other NAO Reports 2025

Coordination and Implementation Division

public service



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

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FOREWORD

The Governance Action report on recommendations made by the National Audit Office (NAO) is a yearly publication detailing the actions taken by the Public Administration in response to the findings set out in the Report by the Auditor General on the Public Accounts for the year 2024, published in December 2025.

Implementing NAO recommendations, where feasible and taking into account the wider context and implications, remains a priority for the Public Administration, as these actions support continuous improvement, strengthen good governance, and enhance transparency.

This commitment is reflected in the high proportion of NAO recommendations that are accepted, acted upon, and implemented in a timely manner. This year's governance action exercise achieved an implementation rate of 90.4% for the actions required to address NAO recommendations, representing a 4% increase over the previous year. The remaining 9.6% of pending actions are nonetheless a commitment to further improvement and will continue to be followed up to hasten and ensure their implementation.

This significant implementation rate demonstrates the importance that the Public Administration attaches to insights and recommendations of the NAO. For the first time this year, in addition to following up on the 17 audits reported upon by the NAO in their report, the governance action exercise included follow-ups on three audited local councils. The latter cohort identified 111 actions to better align their operations with good governance practices, of which 96% have been implemented. In total, 490 actions were identified and acted upon during this year's governance action exercise, with an overall implementation rate of 90%.

The results of this year's governance action exercise confirm the Public Administration's continued commitment to strengthening accountability, improving systems and processes, and responding constructively to the recommendations of the National Audit Office.

Sustained follow-up on pending actions, including regular compliance checks with auditees, will remain essential to ensure that improvements are fully embedded, that good governance practices continue to evolve, and that public administration remains responsive, transparent, and effective.

Tony Sultana
Principal Permanent Secretary

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* Ministry names reflected in this publication are those in effect as at 29 May 2026.

INTRODUCTION

The Governance Action report on National Audit Office (NAO) recommendations has been published for the 11th consecutive year. The report outlines actions taken, or planned, by the Public Administration to address recommendations arising from audits conducted by the NAO, as reported in the NAO's latest annual report on public accounts which was issued in December 2025 and other audit reports.

The Internal Audit and Investigations Department (IAID) carried out governance action for complex audits, assisting auditees to improve operations by implementing appropriate actions. The governance action exercise is concluded with a closure meeting for each audit. During closure meetings discussions take place with auditees regarding the actions required to address NAO recommendations or justifications for recommendations which were not accepted or partially accepted by management.

The NAO annual report for 2024 included 17 audits. This report includes actions to address the recommendations relating to these audits. Additionally, for the first time this year, the governance action exercise was extended to three Local Councils audited by the NAO, as reported in the Report by the Auditor General on the Workings of Local Government. For ease of reference, the introductory page to each audit gives a statistical overview of the findings and actions taken or being implemented.

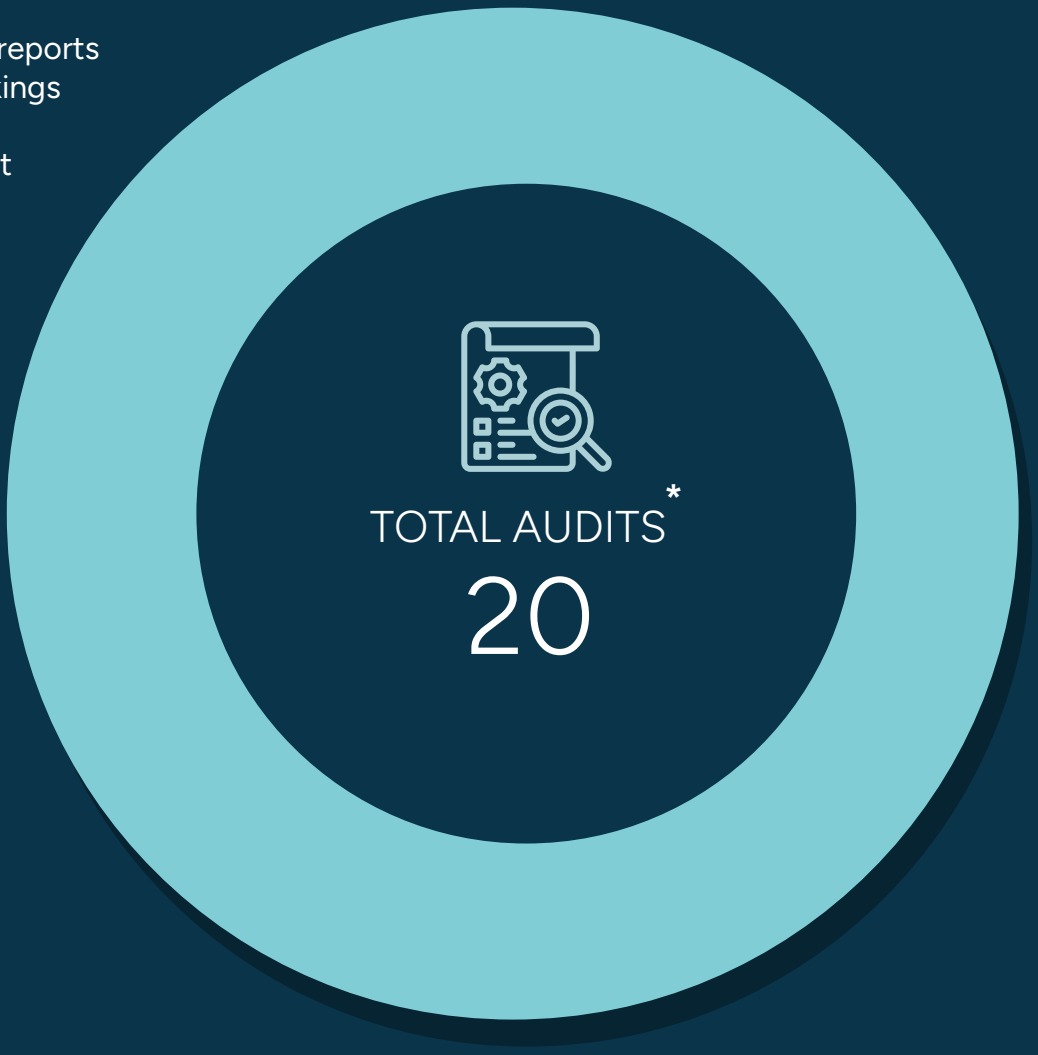
This report also presents a detailed account of actions being taken or already taken in connection with performance and IT audits carried out by the NAO during 2025. One of these reports pertains to an audit carried out in 2024 which is being reported upon this year, presenting a clearer picture of the situation.

The NAO commented positively on the majority of auditees for their cooperation and responsiveness throughout the auditing process.

The NAO presented 196 recommendations for the 17 audits being reported upon. In addition, 71 other recommendations pertain to the three Local Councils audits, amounting to a total of 267 recommendations. 251 of these recommendations have been fully accepted by the Public Administration, and 10 other recommendations have been partially accepted. Six recommendations, 2.2% of the total recommendations, have not been accepted. To address the recommendations made by the NAO, the public administration identified 490 actions with a view to prioritise continuous improvement and good governance. 443 (90.4%) of these actions were fully implemented by the end of August 2026 – an outstanding implementation rate, representing a significant increase of 4% over the previous year. The remaining 47 actions (9.6%) are in the process of being implemented, as explained in the report that follows.

STATISTICAL HIGHLIGHTS 2026

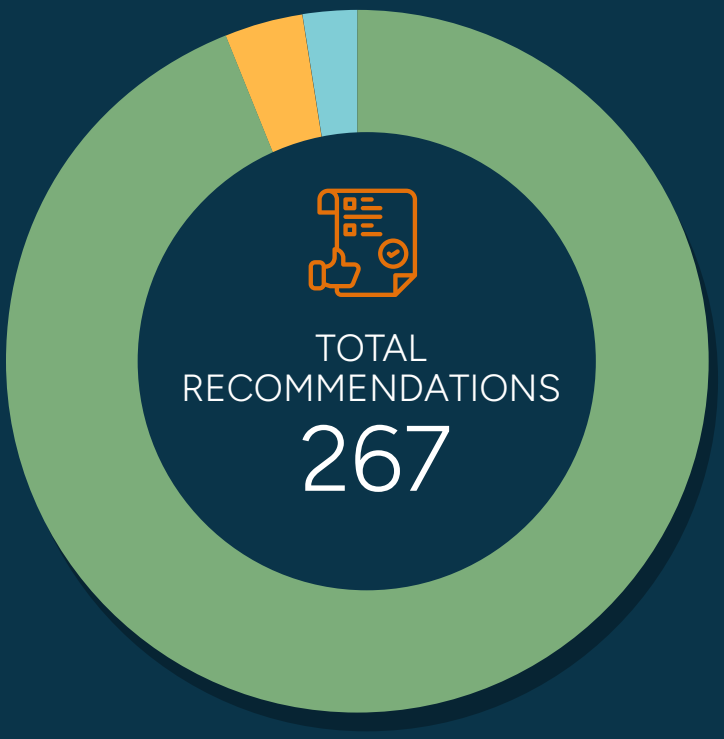
* including 3 reports on the workings of Local Government



GA Publication Year	2022★	2023★	2024★	2025⬟	2026⬟
Implementation Rate	85%	89%	92%	86%	90%

★ as at 31 October of each year

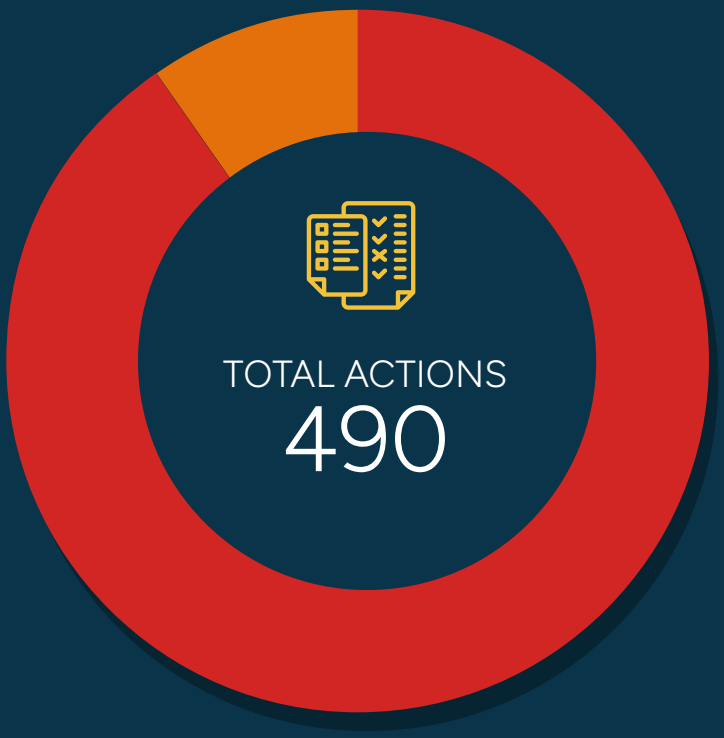
⬟ as at 31 August of each year



251
Accepted

10
Partially accepted

6
Not accepted



443 ▲
Implemented

47 ▲
In progress

▲ as at 31 August 2026



FOLLOW-UP ACTION ON THE NAO REPORT ON PUBLIC ACCOUNTS 2024

OFFICE OF THE

PRIME MINISTER

OPM

RESOURCE SUPPORT AND SERVICES LIMITED - INCOME AND EXPENDITURE

Resource Support and Services Limited (RSSL) is a government-owned company set up in 2003 following a restructuring exercise at the Malta Shipyards Limited. The company's principal activity is that of employing persons whose services are no longer required by any company, corporation or entity under the remit of the Government of Malta. Such workers are absorbed by the company and eventually deployed with government departments and public entities, including local councils.

The main scope of this audit was to assess compliance with standing provisions, ensure that there were adequate controls in place to mitigate the risk of errors and fraud, and that an adequate audit trail was in place. Specifically, in terms of compliance, the audit sought to assess whether redeployments were covered by the appropriate authorisations, whether amounts paid to employees were in line with the respective engagement letters and agreements in place, and adjustments were being reflected in the payroll in a timely manner. Governance concerns noted during the audit were also reported upon.

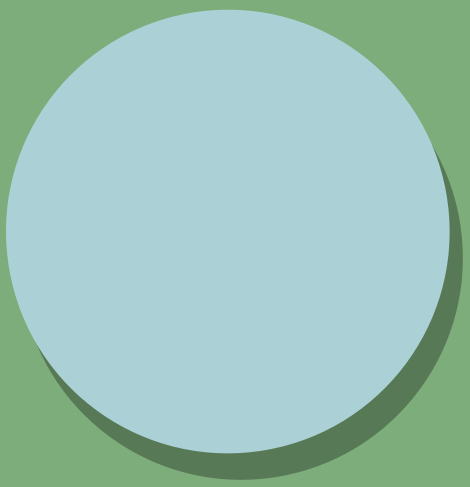
Weaknesses in the internal control environment and governance framework at RSSL were identified by the NAO. Shortcomings included lack of payroll verifications, which resulted in incorrect payments, including significant overpayments, poor documentation and record-keeping, and inadequate audit trail.

IMPROVEMENT INITIATIVES

RSSL has implemented several measures, including the adoption and publication of its Vision and Mission Statement, the development and dissemination of five SOPs, the issuance of guidance on overtime and allowances, the recovery of overpayments identified during the audit, the revision of the Executive Chairman's contract, and the timely endorsement of board minutes. Enhanced payroll controls have also been introduced through four-eye verification, segregation of duties, periodic checks, maintenance of employee records, and regular updates to personal files.

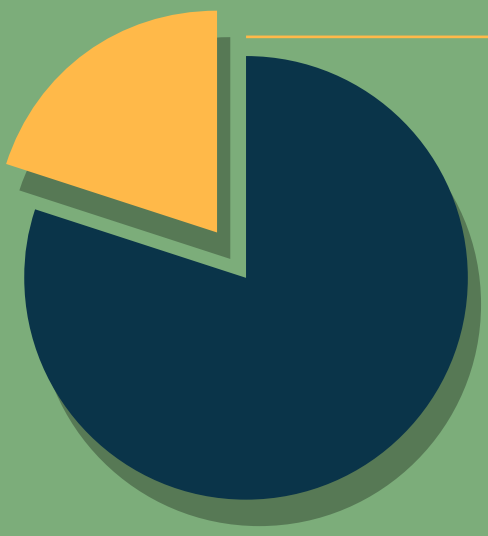
Ongoing actions include obtaining approvals for vacancies and placements, managing employee transfers through approved procedures, collaborating with an external provider to develop standardised forms, enforcing payroll verification controls, recruiting a Deputy Senior Manager, and developing an integrated online payroll system expected to go live by the end of 2026. Planned actions include the development of a comprehensive Manual of Procedures, SOPs governing transfers arising from calls, payroll allowance checks, and payment review processes.

Recommendations by the NAO 14



Accepted 14

Actions by the Ministry 19



In progress 3

Implemented 16

	Recommendations	Action taken/justification	Status
Limitation on scope of audit	As part of testing, the National Audit Office (NAO) attempted to recompute payroll deductions effected to the sampled employees but could not tally to those recorded in the payroll report in the case of two employees. Despite NAO's request, no explanations were provided. In the absence of proper workings, accuracy of the deductions could not be ascertained.	In May 2026, RSSL provided the NAO with explanations and clarifications regarding the discrepancies identified during the audit, which could not be fully reconciled due to the absence of supporting calculation workings.	
		RSSL is ensuring that all adjustments submitted to the contractor undergo thorough verification both prior to the issuance of salaries and following the completion of the payment process. These checks are carried out in accordance with the four-eye principle to uphold accuracy and accountability. Furthermore, workings related to adjustments are filed in the employees' personal files to provide a complete audit trail.	
Key issues	**No proper governance and operational framework agreement.** The Board is encouraged to define and communicate a strategic vision for the organisation as a whole. **Accepted**	The Board of Directors discussed and collaboratively formulated the Vision and Mission Statement, which were subsequently submitted for the necessary approvals.	
		Following the necessary approvals, the Vision and Mission Statement were formally adopted by RSSL, articulating the organisation's core purpose and guiding principles. These are displayed on RSSL premises and are also available on the organisation's website: https://opm.gov.mt/en/public-bodies/resource-support-services-ltd/	

Recommendations	Action taken/justification	Status
Processes and procedures complementing this vision should then be drawn up, communicated to all employees and updated as required to ensure compliance. **Accepted**	A Deputy Senior Manager, whose appointment is forthcoming, will be entrusted with the responsibility of developing a comprehensive Manual of Procedures, aimed at standardising operational practices and enhancing organisational efficiency.	 Dec-2026
	RSSL developed five SOPs, covering Overtime and Allowances, Transfer of Employees, Annual and Sick Leave, Employment through Article 16 of the ETS Act, and Employment through Jobsplus. These SOPs formally document internal processes and modus operandi with third- party entities, ensuring clarity and consistency both for current and future RSSL employees.	
	The Standard Operating Procedures were formally disseminated and made accessible to all RSSL staff through official internal channels to ensure consistent awareness and application of the documented procedures.	
Furthermore, regular communication is to be maintained with absorbing entities, ensuring that RSSL is kept informed of changes concerning deployed employees in a timely manner. **Accepted**	RSSL maintains ongoing communication with relevant entities concerning employee vacancies and placements and ensures that all necessary approvals from People and Standards Division (P&SD) are obtained in advance, in accordance with Directive 7.	
	RSSL maintains effective communication with the absorbing entities and ensures that employee relocations occur only through officially sanctioned transfers. Any unauthorised movement may result in non-payment of salaries. In this regard, RSSL developed a Transfer of Employees SOP to ensure smooth employee relocations.	
	RSSL will develop a SOP governing transfers arising from calls, in line with Directive 7.	

Control issues

Recommendations	Action taken/justification	Status
No proactive action to collect information from employing entities RSSL is expected to take a more proactive stance, enabling prompt and accurate payment processing. **Accepted**	RSSL issued a circular to employing entities establishing a standardised procedure for the payment of overtime and other allowances, including the required submission timeframes for the process.	
It may also consider drawing up standardised forms to be submitted to employing entities and eventually returning them to the company by a stipulated deadline. This will also help streamline responses, making them easier to analyse and review. **Accepted**	RSSL is working in collaboration with an external service provider to develop a clear and user-friendly form tailored to the specific data required from employing entities, including a defined submission schedule.	 Dec-2026

Recommendations	Action taken/justification	Status
Weak operational processes While acknowledging the limited human resources, checks are expected to be performed to ensure that relevant adjustments have been processed and amounts in payroll are correct and duly substantiated. **Accepted**	RSSL declared that all overpayments identified by the NAO in this specific audit have been recovered.	
	RSSL has adopted a procedure where all salary adjustments undergo thorough verification, with the four-eye principle applied, both prior to payment and following its completion.	
	RSSL conducts periodic random checks following the issuance of payments by the contractor. These additional reviews serve as an added layer of assurance, helping to confirm the accuracy of processed adjustments and to strengthen overall oversight of the payroll process.	
	RSSL will develop an SOP governing the checks and verifications performed on payroll allowances, to ensure accuracy and consistency in the payment of allowances process.	
	In view of the limited human resources, RSSL will employ a Deputy Senior Manager to assist in the effective management of its financial and administrative functions.	 Dec-2026
	RSSL is enforcing dual verification protocols and upholding the principle of segregation of duties, thereby strengthening internal controls and minimising the risk of errors or unauthorised actions.	
As far as possible, there should be segregation of duties in the process, also ensuring that independent checks are in place prior to submission of payroll data to the contractor. **Accepted**	RSSL is ensuring clear segregation of duties for adjustments submitted by the respective entities. Adjustments are initially processed by an RSSL officer and subsequently certified by the Senior Manager, ensuring accuracy, accountability, and appropriate oversight.	
	Payroll reports issued by the contractor are reviewed and verified against the calculations prepared by RSSL. This process is then formally approved by the Senior Manager, ensuring consistency, accuracy, and appropriate oversight throughout the payroll cycle.	

Recommendations	Action taken/justification	Status
Moreover, RSSL is expected to recoup the amounts overpaid. **Accepted**	RSSL declared that the amounts overpaid have been fully recovered.	
RSSL should consider introducing automated tools to replace the manual spreadsheets currently used for payroll. This would reduce the potential of human error, enhance data accuracy and provide a reliable audit trail, facilitating the review of payroll transactions. **Accepted**	RSSL is developing an integrated IT online system to further strengthen the verification of payroll data. There are ongoing procedures for service provision of the online system and for the acquisition of the domain rssl.gov.mt. This system is scheduled to go live by end of 2026, enabling RSSL to interface directly with entities through this platform.	 Dec-2026
Furthermore, since RSSL remains ultimately responsible for the accuracy of the payroll, it is essential that thorough verifications are carried out to ensure that all applicable adjustments have been processed. A formal review process should be implemented to detect and address discrepancies in a timely manner. **Accepted**	An SOP will be developed to clearly outline the payment review process, with the primary objective of identifying and addressing any discrepancies in a timely and effective manner.	 Dec-2026

Recommendations	Action taken/justification	Status
Inadequate upkeep of personnel records Personal files are to include a Record Sheet for each individual, as required by the Manual on the Procedure and Computation of Salaries issued by OPM. **Accepted**	RSSL maintains all Personal Record Sheets in accordance with the provisions of the Public Service Management Code (PSMC). These records are securely retained in a database format and include, among other information, personal details as well as each employee's salary and grade.	
Moreover, details within the personal files are to be kept updated to reflect any changes immediately, along with proper explanations. This will help maintain a full audit trail, enabling independent verifications. **Accepted**	RSSL ensures that details and changes in personal files are kept updated regularly and that necessary action is taken in a timely manner through the database.	
Other matters		
RSSL is to ensure that remuneration paid to senior officials, such as the Chief Executive Officer (CEO) and Chair of the Board, are clearly distinguished and accurately classified in the financial statements. This promotes transparency, ensures compliance with reporting standards, and supports proper governance oversight. **Accepted**	The Executive Chairman's contract of employment has been revised with effect from 25 May 2025. The updated contract provides a clear distinction between the remuneration of the CEO and that of the Chair of the Board.	

Recommendations	Action taken/justification	Status
In addition, all board minutes are to be formally endorsed by the Company Secretary in a timely manner, in line with good governance practices. **Accepted**	RSSL ensures that board minutes are being formally endorsed by the Company Secretary in a timely manner, in line with good governance practices.	

General comment

RSSL demonstrated full cooperation throughout the audit and provided clarification for most of the queries raised. However, some of the information submitted contained inaccuracies, which required additional verification and follow-up. This process was time-consuming and impacted on the overall efficiency of the audit.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Traineeship Scheme – Expenditure (under the remit of the People & Standards Division)		
Deficiencies in the reimbursement process Following the fallout with its previous supplier, IPS started the process to obtain two interrelated off-the-shelf systems. When the first system is in place, IPS will be able to upload the contracts of its various schemes online.	Oct-2025	**Implemented in January 2026**
The second system is a cloud-based human resource management system designed to help manage workflows efficiently. With this system, trainees will be able to submit their working hours and obtain approvals from their supervisors and DCSs.	Mar-2026	**In progress** A cloud-based Human Resource Management System has been identified and the proof of concept completed. A pilot project is scheduled from July to December 2026, following which the system will be refined and rolled out across the Public Service by IPS. Expected date of implementation is March 2027.
Following the introduction of the second system, the service provider will provide training videos, information sessions and user manuals to all IPS employees.	Mar-2026	**In progress** Training will be provided to the IPS Team, followed by training to the DCSs, supervisors and students of the Ministries taking part in the 6-month pilot project. These will be supplemented by manuals, guidebooks, videos and all the required support material which will be tested and finalised during this pilot project. Expected date of implementation is December 2026.

2023 GA PUBLICATION

Pending action reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Servizz.gov – Revenue and expenditure			
Contract centre services: No evidence of competition To ensure uninterrupted service provision, the Agency is formulating a business continuity plan to obtain the ISO Certification 9001: 2015.	In progress In line with the agency's strategic objectives, the formulation of a business continuity plan to obtain the ISO Certification 9001:2015 is going to form part of the three-year strategic plan of the Agency which is scheduled to be published. Preparations for the strategy are underway. Following discussions with specialists in the field, it was decided to phase it over the three-year period.	Dec-2028	**On target** The Agency's strategy plan has been completed and endorsed by the Agency's Advisory Board and the OPPS. ISO 9001:2015 features under one of the 10 key initiatives which will be delivered over the course of the next 3 years. The strategy includes the key elements, a strategic roadmap and actionable recommendations towards its implementation.

2022 GA PUBLICATION

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Government Printing Press – Revenue and expenditure			
Limitation on scope of audit / Systems limitations A new tender will be published, based on the findings of a market research which is currently being compiled.	In progress A demo environment was supplied by the current supplier and was being tested internally. GPP are awaiting minor enhancements.	Q1 2026	**In progress** The direct order, approved as a technology refresh, was awarded to the same supplier. The contract is currently being reviewed by the Information Management Unit (IMU) prior to its formal acceptance. Estimated date of implementation is end of December 2026.
Lease of premises not formalised The tendering process and works are being steered by INDIS, and therefore time frames quoted are based on INDIS direction.	Not yet implemented Discussions with INDIS are still ongoing.	N/A	**Not yet implemented** No progress to report.

OFFICE OF THE

PRIME MINISTER

(EQUALITY, REFORMS AND SOCIAL DIALOGUE)

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Europride Parade 2023 – Expenditure		
Unclear roles in the organisation and management of the event An SOP is being developed to outline the planning and setup procedures for organising similar events. It will provide clear guidance on defining roles and responsibilities from the outset, with specific reference to partnerships with third parties. Management will ensure compliance.	Oct-2025	**Implemented in May 2026** This standard operating procedure (SOP) is intended to facilitate familiarity with procurement and financial regulations.
The SOP under development includes clear directives to prevent the splitting or piecemeal execution of procurement. Management will be responsible for ensuring strict compliance with these provisions.	Oct-2025	**Implemented in May 2026** A section on the prohibition of contract splitting was included in the SOP to ensure clarity to officers and to reinforce consistent understanding and application of this principle.
Retrospective direct order approval The procurement SOP will define the procedures necessary for obtaining authorisation from the relevant authorities.	Oct-2025	**Implemented in May 2026** The SOP includes a list of relevant authorities from which authorisations and/or permits are required when planning large-scale public events. This guides officers in securing the necessary approvals in a structured and timely manner.

MINISTRY FOR

FOREIGN AFFAIRS AND TOURISM

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Foreign and European Affairs and Trade – Expenditure		
Procurement of consultancy service not in line with the regulations and not substantiated Ministry for Tourism (MFT) will begin conducting periodic checks on maintained documentation to ensure compliance with the documentation retention policy, adherence to best practices, and to identify areas requiring improvement or corrective action in cases of non-compliance.	Dec-2025	**Implemented as planned**
Staff will receive training to ensure a thorough understanding of the significance of proper documentation practices and full awareness of the procedures governing the retention and filing of required records.	Dec-2025	**Implemented in March 2026**
Delegate service procured direct from the open market with unclear contractual terms In-house training on contract management and compliance will be delivered to the relevant staff.	Dec-2025	**Implemented in March 2026**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
An internal exercise will be carried out to ensure that the officers responsible for vetting contracts are fully familiar with the applicable requirements and capable of identifying any non-adherence, with appropriate actions taken to address any shortcomings.	Dec-2025	**Implemented as planned**
Repeated extensions of travel insurance policy MFT will start conducting checks on payments to ensure that all expenditure incurred is in line with the standing contracts.	Dec-2025	**Implemented as planned**
Lack of performance guarantees and other documentation The Director (Compliance) will conduct checks to verify the existence of performance guarantees.	Dec-2025	**Implemented as planned**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Institute of Tourism Studies – Expenditure		
Financial statements not prepared Institute of Tourism Studies (ITS) will begin compiling monthly management accounts once it aligns with its accounting obligations.	Jan-2026	**In progress** Currently a review of the financial statements is being done by the auditors up until 2024. Also, for 2025 will commence shortly after. Monthly financial statements for 2026 have not yet been prepared but will follow the auditors' review. Expected date of implementation is January 2027.
Standard operating procedures (SOPs) relating to petty cash, reconciliations, and the relationship between accounts and procurement will be drawn up and disseminated among concerned staff.	Dec-2025	**Implemented in August 2026**
Obsolete legislative requirements ITS is revising the Institute of Tourism Studies Act (Chapter 566) along with its subsidiary legislation to reflect with the institution's expanded remit.	Dec-2026	**On target**
Board of Governors not provided with financial information ITS will commence the preparation of its management accounts on a monthly basis once the entity is in line with its accounting obligations.	Jan-2026	**In progress** This will be in place once monthly management accounts are in hand. Expected date of implementation is January 2027.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
ITS will draft and disseminate an SOP on accounts payables and receivables, and cash management.	Dec-2025	**Implemented in August 2026**
Concerns over Fixed Assets' Records Based on the outcome of the advisory service, ITS will proceed with the procurement of the required software.	Jan-2026	**In progress** Work on the required software is in progress. Expected date when the system will go live is October 2026.
Inadequate accountability at the stores Once the stock-taking report is generated from the system, it will be forwarded to the respective Permanent Secretary and the NAO.	Jan-2026	**In progress** This action will be implemented once the system is fully functional. Expected date of implementation is October 2026.
Deficiencies in the administration of bank accounts ITS will draft an SOP to reflect the current procedure concerning deposits.	Dec-2025	**Implemented in August 2026**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
When revising the Institute of Tourism Studies Act (Chapter 566), ITS will also update the clause related to deposits to reflect current practices.	Dec-2026	On target
Agency performance agreement not available ITS is in the process of developing a new five-year Strategic Plan covering the period 2026–2030. Upon its finalisation, the plan will be submitted for approval to the Ministry and the Board of Governors.	Dec-2025	Implemented in April 2026 Strategic plan was approved by the Board of Governors.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Refurbishment Works at Mediterranean Conference Centre – Capital expenditure		
Lack of standard operating procedures The Mediterranean Conference Centre (MCC) is preparing a policy to define capitalisable roles and establish the criteria for their classification.	Oct-2025	**Implemented as planned**
The policy, outlining capitalisable roles will be presented to the MCC Board Members to support consistent and informed judgements in the preparation of financial statements.	Oct-2025	**Implemented in March 2026**
Concerns on cost capitalisation MCC will start maintaining a weekly logbook on jobs related to maintenance so that these can be capitalised.	Oct-2025	**Implemented as planned**
Incomplete fixed asset register MCC plans to conduct an inventory update for the remaining assets and compile the fixed assets register.	Jun-2026	**Implemented as planned**

2022 GA PUBLICATION

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Foreign Affairs and Trade Promotion – Revenue			
Limited checking by Head Office Once all three vacancies of Assistant Manager are filled, random monthly checks will be carried out.	Not yet implemented The Ministry is still issuing the call for Assistant Managers.	N/A	**Implemented** Whilst the calls for Assistant Managers were unsuccessful, the Accounts Department is carrying out extensive vetting on the missions.
Grouping of services in the application form The Ministry is in discussion to create an online service form to replace the current form.	To be implemented through a different course of action. CEDMS, overseen by OPM, is not ready for development and lacks a completion timeline, so MFT has restarted discussions with IMU about creating an online service form.	N/A	**In progress** Following a meeting between the CIO office and Accounts, an online service form is being created.
Divergence from the financial regulations without the necessary approval 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.	In progress MFT is still awaiting MFIN's approval.	N/A	**Implemented in June 2026** MFIN provided an increase in cash retention. The Manual was updated based on the new thresholds.

2021 GA PUBLICATION

Pending action reported in GA Report 2021	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Licenses to hotels and catering establishments – Revenue			
Management of debtors concerns 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.	In progress Following a change at Ministry level, the new legislation is still being drafted. MTA is still not accepting license renewals before arrears are settled and is actively chasing settlement of arrears.	N/A	**In progress** MTA legislation is still being discussed, but as previously reported MTA has kept a policy that all arrears are to be settled before yearly renewal of license is accepted. Arrears division has continued to chase settlement of arrears. A new license invoicing system has been launched and contact details of licences and operators are being updated. The plan is that as from 2027 invoice for licence renewal will be issued before end of previous year and not months into the year itself. This is in preparation of desired legislation that would require payment of licence before new year starts in order not to be in breach and without a license.



MINISTRY FOR

CULTURE, LANDS AND LOCAL GOVERNMENT

MCLG

THEATRE SPACES FUNDING SCHEME – EXPENDITURE

Arts Council Malta (ACM) is the national agency for development and investment in the cultural and creative sectors. Its principal task is to fund, support and promote these sectors through its national funding programmes. ACM was established in 2015 as a corporate body through the Arts Council Malta Act (Cap. 542), which act covers the Council's structure, functions and the promotion of cultural activities and creative industries in Malta.

The scope of this audit covered end-to-end process from application to payment of the second strand funding programme. The primary objectives were to assess whether:

a. governance and oversight of the funding programme were effective;
b. the application and approval process were fair, transparent, and robust;
c. adequate controls were in place to ensure only eligible applicants and expenses receive funding;
d. post-award monitoring was exercised, ensuring compliance with agreed terms and successful project completion; and
e. theatre performance is measured to demonstrate achievement of programme goals.

The audit of Arts Council Malta covering the Theatre Spaces Funding Scheme revealed weak oversight over the management of the scheme with one project remaining incomplete to this date.

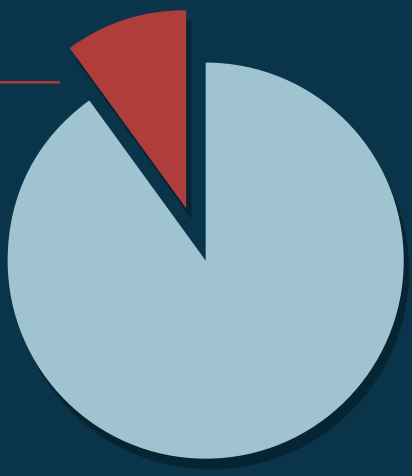
IMPROVEMENT INITIATIVES

In response to the National Audit Office's findings, ACM developed and circulated a Merit-Based Funding Allocation Policy to guide funding decisions. ACM now also specifies the disbursement rate in each scheme's Guidelines and Regulations.

Evaluators are required to record the score and relevant comments for each application. All evaluation documentation is retained in the Customer Relationship Management system (CRM) to maintain a complete audit trail.

To safeguard public funds, ACM has introduced a range of services and procedures. Each funded project is assigned a Monitoring Support Coordinator who acts as the primary point of contact throughout the grant period. This service has strengthened ACM's oversight and its assessment of whether project objectives have been achieved. ACM is also maintaining ongoing communication with the beneficiaries. Depending on the funding scheme and project duration, beneficiaries may also be required to submit progress or milestone reports, allowing ACM to monitor implementation, identify risks and provide timely guidance. ACM is conducting site visits when necessary and obtaining comprehensive financial documentation and supporting evidence before final payment or grant closure.

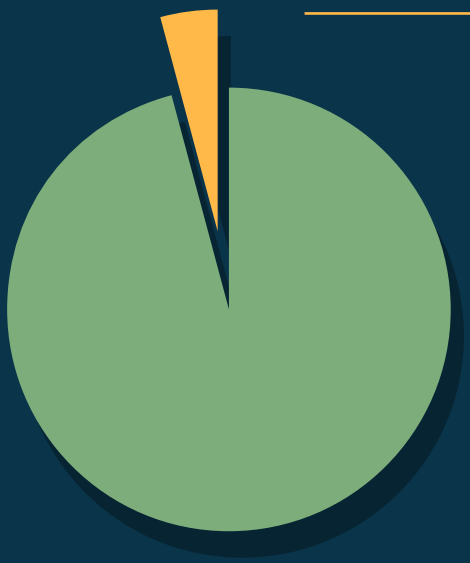
Recommendations by the NAO 10



Partially accepted 1

Accepted 9

Actions by the Ministry 20



In progress 1

Implemented 19

Key issues

Recommendations	Action taken/justification	Status
Lack of transparency in the allocation of funds and disbursement policy In order to enhance transparency, established policies should serve as basis for decision-making. **Accepted**	The Arts Council Malta (ACM) has developed and distributed a 'Merit-Based Funding Allocation Policy' which provides the framework guiding funding allocation decisions.	✓
	In the 'Guidelines and Regulations' of each scheme, ACM is now including the disbursement rate.	✓
	ACM provides evaluators with management procedure guidelines prior to the commencement of the evaluation process.	↻
Weak oversight The guidelines are expected to clearly allocate the responsibility for oversight. **Accepted**	When the Council collaborates with other entities, a Memorandum of Understanding (MoU) is being signed by both parties to clearly define their respective responsibilities.	↻
	For schemes in which ACM collaborates with other entities, the 'Guidelines and Regulations' are specifying the respective responsibilities of each entity involved.	↻
All actions are to be documented providing full audit trail of any evaluations or oversight mechanisms adopted. **Accepted**	The evaluators are documenting the scores and the comments made for each application.	↻
	All the documentation related to the evaluation of each application is being maintained in the Customer Relationship Management System (CRM) to ensure a complete audit trail.	↻

Recommendations	Action taken/justification	Status
Related invoices and receipts are to be submitted at specific timeframes over the implementation period rather than at project completion. This will enable ACM to monitor better the expenditure incurred and take timely action where necessary. **Partially accepted**	ACM's funding schemes support projects of varying scale, duration and complexity, many of which are delivered by artists, voluntary organisations and small cultural entities with limited administrative capacity. Requiring beneficiaries to submit financial documentation at regular intervals would create a significant administrative burden for both beneficiaries and ACM. Furthermore, project expenditure is often concentrated at specific milestones or only finalised upon project completion. As a result, requesting financial documentation at predetermined intervals may provide an incomplete picture of a project's financial position and require the same documentation to be reviewed multiple times before accounts are finalised. Given the high volume of funding schemes and grants managed concurrently, implementing periodic financial verification across all active projects would require a significant increase in administrative capacity, which is not currently available without adversely affecting other core functions, including application processing, project monitoring, evaluations and grant administration.	
	ACM's current monitoring framework incorporates a range of safeguards to ensure the proper use of public funds. These include dedicated monitoring support, ongoing communication with beneficiaries, progress reporting where applicable, site visits when necessary, and the submission of comprehensive financial documentation and supporting evidence before the final payment or closure of the grant.	
	Each funded project is assigned a Monitoring Support Coordinator who acts as the primary point of contact throughout the grant period. Beneficiaries are encouraged to seek guidance throughout the project implementation on matters such as eligibility, contractual obligations, reporting requirements, procurement, budget amendments and other implementation issues.	
	Depending on the funding scheme and project duration, beneficiaries may also be required to submit progress or milestone reports, allowing ACM to monitor implementation, identify risks and provide timely guidance.	
	The current agreements stipulate that beneficiaries must submit the required financial documentation, endorsed by a warranted accountant or auditor, before any further funds are released by the Council.	

Control issues

Recommendations	Action taken/justification	Status
Furthermore, all official documentation is to be duly verified. **Accepted**	Before any outstanding payments are processed, ACM reviews and verifies the information and documentation submitted in the final report and communicates with the beneficiary should any discrepancies of clarifications arise.	
Moreover, evaluations are to be extended to assess the level of achievement of set strategic objectives. **Accepted**	Guidelines and regulations are issued in alignment with the Council's ongoing strategy. In this context, strategic objectives are set with due consideration of the Council's available resources and its capacity to effectively measure their achievement.	
	By assigning a Monitoring Support Coordinator to each funded project, ACM has enhanced its oversight mechanisms and its ability to evaluate the achievement of project objectives.	
Conflict of interest declaration forms not traced Besides complying with standing procedures, conflict of interest declarations enhance transparency. Once filled in, these should be stored in an easily retrievable manner. **Accepted**	ACM is ensuring that conflict of interest declaration forms are obtained and adequately maintained in the CRM system.	
Premises rented by Teatru Malta While acknowledging the competence of the person concerned, in future similar circumstances members of the Evaluation Board must be totally independent from potential beneficiaries. **Accepted**	The Council issues a call for evaluators to establish a pool of suitably qualified evaluators.	
	As part of the evaluation process, evaluators are required to complete and submit a conflict-of-interest declaration.	
	Evaluators are then selected based on their areas of expertise, sectoral experience, and independence from potential beneficiaries.	

Recommendations	Action taken/justification	Status
Concerns related to the unfinished Pandora Theatre ACM is to immediately carry out a comprehensive review to identify eligible expenses, which should be duly substantiated by proof of payment, and recoup the balance of unspent funds. **Accepted**	ACM has appointed an external auditor to carry out a comprehensive review on the beneficiary of Pandora Theatre to assess the eligibility of the project expenditure.	
Moreover, it is also to assess and determine what further action to take in view of the fact that the project was still not completed despite that the established timeframe elapsed three years ago. **Accepted**	Following the completion of the external audit, the appropriate course of action will be determined.	 Mar-2027
	In accordance with the beneficiary contracts, whenever a project is not completed within the stipulated timeframe, the Council may seek to recover the funds disbursed.	

General comment

NAO positively notes that ACM have provided full assistance to the audit team during this engagement, both in terms of documentation, as well as assistance during the on-site visits.

MALTA INTERNATIONAL CONTEMPORARY ART SPACE – CAPITAL EXPENDITURE

The Coordinating Board for Cultural Projects was established in 2013 as a non-executive Board. By means of the Malta International Contemporary Art Space (Establishment as an Agency) Order, 2018 (L.N. 308 of 2018), the Board was transformed into an Agency with the name of Malta International Contemporary Art Space (MICAS), under the remit of Arts Council Malta. Following amendments through L.N. 154 of 2021, MICAS became autonomous as a Public Cultural Organisation, with further amendments carried out through L.N. 205 of 2023.

The audit objective was to ensure that all procedures undertaken by MICAS in respect of this project, namely the procurement for the embellishment of the area in Ospizio Floriana and the construction of the artistic galleries, were in compliance with the Public Procurement Regulations and applicable policies. The audit also sought to establish whether Government resources were used in a judicious manner, and that the basic principles of transparency, fairness and equal treatment were upheld.

An audit to assess the adequacy of controls over capital expenditure incurred for the construction of artistic galleries at the Malta International Contemporary Art Space revealed oversight weaknesses that were primarily attributed to human resource constraints impacting on transparency and accountability.

IMPROVEMENT INITIATIVES

MICAS signed a handover letter with the Restoration Directorate confirming the transfer of the site to MICAS, which assumed full responsibility for managing and operating the facilities in accordance with the Grant Agreement.

MICAS maintains a central register of tender timeframes to ensure that each stage is completed within the required deadlines and to provide full visibility of tender progress. A weekly review process has also been introduced to monitor progress and promptly identify delays, supported by an automated notification system that flags expiring performance guarantees.

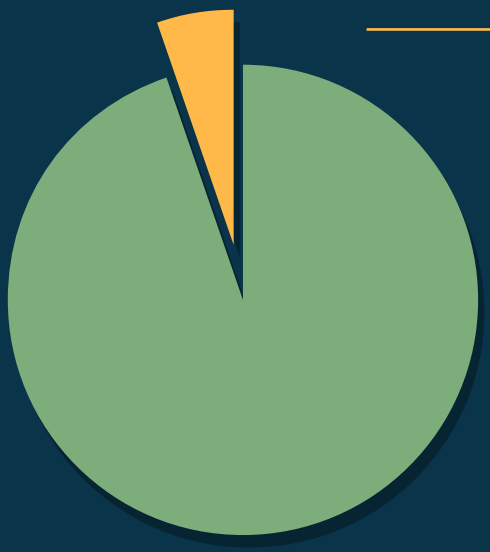
To strengthen its workforce, MICAS recruited a senior officer to oversee and coordinate capital projects, an events and logistics manager, senior officers responsible for maintenance and for marketing and communications, and an administrative assistant focusing on Human Resources duties.

Recommendations by the NAO 12



Accepted 12

Actions by the Ministry 19



In progress 1

Implemented 18

Control issues

Recommendation	Action taken/justification	Status
Insufficient Human Resource capacity Adequate human resource capacity will enable the improvement of the internal control setup, as well as assist in reducing inherent risk, whilst providing a vital step towards the growth of the Agency. **Accepted**	The Malta International Contemporary Art Space (MICAS) has recruited a senior officer to oversee and coordinate all capital projects with responsibility for monitoring implementation, tracking progress against timelines, and ensuring effective reporting and compliance.	✓
	To further strengthen its workforce, MICAS has also recruited a manager for events and logistics, a senior officer responsible for maintenance, another senior officer in charge of marketing and communications, and an administration assistant focused on Human Resources (HR) duties.	✓
Misaligned Memorandum of Understanding signatories Any changes in the legal status of the parties are to be immediately reflected through a formal amendment to the respective Memorandum. Failure to update the document may result in legal ambiguities. **Accepted**	A handover letter was signed between the Restoration Directorate and MICAS stating that the site has been transferred to MICAS, which now assumes full responsibility for the management and operation of the facilities in accordance with the Grant Agreement.	✓

Recommendation	Action taken/justification	Status
Procurement not covered by a performance guarantee In line with Procurement Policy Note No. 21 issued by the Department of Contracts, public contracts equal to or exceeding €10,000 (VAT excl.) awarded following a competitive call are to include an obligation on the contractor of the winning bid to submit a performance guarantee. For the sake of good governance this is also expected to be included in case of exceptional contracts awarded by direct order. This will ensure that the fundamental objective of this requirement is not compromised as it safeguards the contractors' commitment to fulfil their obligations while providing legal and financial protection in case of default by the foregoing. **Accepted**	To safeguard its interests, MICAS will request a performance guarantee even when awarding contracts through direct orders or negotiated procedures, should the circumstances warrant it.	
	MICAS operates an automated notification system that flags expiring performance guarantees, ensuring they are updated or renewed in line with any additional or repeated works.	

Recommendation	Action taken/justification	Status
Limitations in the execution of service agreements In executing service and works agreements, it is crucial to adhere to the specified timeframes. Accepted	MICAS recruited a senior officer to oversee and coordinate all capital projects with responsibility for monitoring implementation, tracking progress against timelines, and ensuring effective reporting and compliance.	
	MICAS is maintaining a central register of all tender timeframes to ensure each stage is completed within the required deadlines, thus providing full visibility over every tender's progress.	
	MICAS introduced a weekly review process to monitor tender progress and promptly identify any emerging delays.	
	MICAS is requesting a written explanation for missed deadlines. Any unjustified missed deadlines will be escalated with the management	
	In case of unacceptable delays, MICAS will consider the appropriate measures to apply penalties in line with the relevant contract provisions.	
	MICAS has drawn up and circulated a Contract Management standard operating procedure among all staff, outlining the guidelines in relation to the contract process.	
MICAS is required to maintain all required documents. Accepted	MICAS is maintaining both digital and physical documentation to facilitate easy retrieval and ensure secure record keeping.	
	MICAS introduced a documentation checklist to ensure that all necessary documentation is provided and filed.	

Recommendation	Action taken/justification	Status
MICAS must ensure that any addendums are signed within the valid period of the original agreement. Failure to do so might result in legal and operational risks. **Accepted**	The procurement manager uses an automated notification system that alerts them when addendums need to be signed.	
Board of Directors Categorisation not substantiated The absence of board categorisation documentation impedes verification of honoraria payments by institutions/departments responsible for oversight while compromising the transparency of governance processes and compliance with regulatory requirements. **Accepted**	Management is ensuring that the appropriate documentation supporting the categorisation of the Board is in place. MICAS' Board is categorised as Managerial Level 2 and members are remunerated accordingly.	
Board Meetings not held at stipulated intervals The Board is to ensure compliance with the regulatory requirement to hold a minimum of six meetings annually. Given the critical role these meetings play in the Agency's governance and decision-making processes, particularly in a significant year marked by the official opening of the Centre, adherence to this requirement is essential. **Accepted**	The Chairperson is convening the Board Meeting every eight weeks to ensure compliance with the requirement to hold a minimum of six meetings annually.	

Recommendation	Action taken/justification	Status
Additionally, minutes of the meetings are to be endorsed by the Chairperson and the Board Secretary to confirm their accuracy and authenticity as the official record of the Board's decisions and proceedings. **Accepted**	Formal minutes of the Board meeting are being endorsed by the Chairperson and the Board Secretary.	
First class flight tickets not in line with standing policy It is pertinent that the Manual on Transport and Travel Policies and Procedures is strictly followed. Any exceptional deviations must be supported by approval from the appropriate level of authority. **Accepted**	MICAS ensures that any deviations from the Manual of Transport and Travel Policies and Procedures are supported by the required approval from the Ministry for Finance, in accordance with article 10.1.9 of the manual.	
Agency agreement not formulated It is in the interest of the Agency to ensure that the agreement in question is drafted and endorsed by the responsible parties without further delay. This will set the applicable rights, obligations and procedures to be followed, whilst reducing potential future disputes. **Accepted**	A performance agreement will be drawn up between the Permanent Secretary and the Chief Executive Officer.	 Dec-2026

Recommendation	Action taken/justification	Status
Non-compliance with reporting requirements Management is expected to escalate this matter, to ensure that standing regulations are invariably complied with, and publications with respect to procurement are carried out within the stipulated timeframe for the sake of transparency. **Accepted**	The Procurement Manager compiles and sends the required list to MCLG in a timely manner, ensuring that all departmental contracts over €5,000 as well as any variations are duly published in the Government Gazette.	

General comment

MICAS demonstrated strong cooperation and promptly provided all the requested documentation and information during the audit. However, the reply to the management letter did not address all observations.

LANDS AUTHORITY - TEMPORARY AND PERPETUAL LEASES - REVENUE

The Lands Authority (hereinafter referred to as "the Authority") was established in February 2017 with the enactment of the Lands Authority Act, Chapter 563, and is responsible for the efficient administration of Government's immovable estate. The Authority's mission is to promote, maintain and make the best use of Government's immovable estate, as well as to ensure an equitable process for the acquisition of property that may be required for public purpose. During 2024, the Authority was under the portfolio of the then Ministry for the Economy, European Funds and Lands.

The main scope of this audit was to determine the adequacy and effectiveness of the internal controls over the revenue being generated from Temporary and Perpetual Leases. Verifications, in line with the pertinent legislation and applicable procedures, were also performed to ensure that the collection efforts enforced were sufficient to collect the amounts due.

An audit on the Temporary and Perpetual Leases administered by the Lands Authority revealed that the foregoing relies excessively on manual monitoring and intervention for credit control processes. Action taken on outstanding balances was not deemed sufficient.

IMPROVEMENT INITIATIVES

The Lands Authority enhanced the Land and Estate Management Information System (LEMIS) by introducing a dedicated credit control tab. This enables staff to manually flag arrears cases, which are then displayed on a central dashboard for improved visibility of ageing balances. Statements and arrears letters generated through the system are also automatically retained in LEMIS.

Management introduced documented supervisory checks, comprising weekly sample reviews of accounts handled by each team member and random account checks to verify compliance with credit control procedures.

For *Bonarja* (legal arrears) letters, the Lands Authority strengthened its procedures by requiring review by the Senior Manager, endorsement by a legal officer, upload to the CC tab and dispatch by registered mail. Letters returned undelivered are now referred to the Enforcement Section for hand delivery, thereby strengthening follow-up. The Authority also uses email delivery reports for system-generated invoices to identify undelivered messages and follow up by post where necessary.

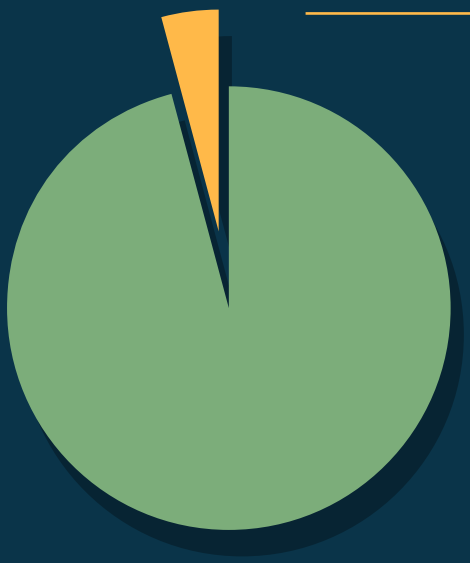
Recommendations by the NAO 9



Partially accepted 2

Accepted 7

Actions by the Ministry 31



In progress 3

Implemented 28

Key issues

Recommendations	Action taken/justification	Status
Dependence on manual monitoring for overdue balances As far as possible, manual processes are to be kept to a minimum to prevent the possibility of certain properties remaining untargeted. Automated systems also allow for reduced processing time, thus enhancing operational efficiency. The Authority is therefore encouraged to prioritise the development and deployment of the proposed credit control tab to automate tracking, reminders, and escalation procedures for overdue accounts. This would help in identifying arrears by amount, as well as their ageing and risk profile in real time, while also ensuring that all credit control activities are recorded in the system to maintain a complete audit trail. **Accepted**	The Land and Estate Management Information System (LEMIS) system was enhanced through the introduction of a dedicated Credit Control (CC) tab, to improve the monitoring and management of outstanding dues. The system now includes functionalities such as the recording of credit control actions, attachment of correspondence issued to tenants, dashboard monitoring tools, and exportable monitoring reports.	
	The CC also ensures that statements and arrears letters generated through the system are automatically retained within LEMIS, thereby strengthening the audit trail and reducing the need for manual intervention.	
	System-generated audit trails are currently being captured automatically within the CC tab, including usernames, dates, times, and actions undertaken by users.	
	The LEMIS system will be upgraded to incorporate automation features, including the automatic flagging of overdue invoices, the automated issuance of statements and arrears notices, and the application of escalation procedures in accordance with established ageing criteria.	 Mar-2027
	The standard operating procedure (SOP) in relation to the CC was updated to strengthen procedures relating to the recording and monitoring of credit control actions.	
	Designated staff at managerial level has been assigned responsibility for managing the newly upgraded system.	
	Management has introduced documented supervisory checks through weekly sample reviews of accounts handled by each team member, with records of the reviews being retained for audit trail purposes.	

Recommendations	Action taken/justification	Status
Furthermore, it is recommended that the Authority limits communication via telephone as much as possible when following up overdue balances since verbal notifications may prove difficult to be substantiated in court, if and when necessary. **Accepted**	Relevant staff is required to record telephone calls concerning overdue balances in the CC tab and, where possible, follow up in writing. Management has communicated the updated instructions to staff and incorporated them into the CC SOP.	
	Management introduced supervisory sample checks on random accounts to verify compliance with credit control procedures and the adequacy of records maintained within the system.	
In the absence of copies of letters chasing the respective debtors, the Authority may also lack the necessary documentary evidence to support its case. NAO strongly advises that a robust and traceable record-keeping system be implemented for all the related correspondence. **Accepted**	All documentation related to the follow up of outstanding dues, including arrears notification letters and statements, are being uploaded to the system together with a corresponding minute. This process has been incorporated within the CC SOP.	
	The CC also ensures that statements and arrears letters generated through the system are automatically retained within LEMIS, thereby strengthening the audit trail and reducing the need for manual intervention.	
It is also recommended that all letters sent by post in connection with arrears are sent via registered mail. Through registered mail, the Authority can keep track of the letters sent to lessees in default. **Partially accepted**	Sending all arrears letters and statements by post would be costly and not effective when it comes to arrears collection.	
	The Authority started sending *Bonarja* (legal arrears) letters via registered mail, with supporting records maintained in an internal tracking sheet to enhance traceability.	
	The process for issuing *Bonarja* letters includes a review by the Senior Manager, endorsement by a legal officer, upload onto the CC tab, and subsequent dispatch via registered mail, thereby providing an added level of control and traceability over legal correspondence.	
	The CC SOP was updated to formalise the process for the issuance of legal arrears letters and their dispatch via registered mail following review and approval by senior management and legal officers.	

Recommendations	Action taken/justification	Status
In case of correspondence linked to arrears sent through electronic mail but with no reply, the Authority is to send a notice through registered mail within, for example, three working days. **Partially accepted**	Management has determined that the widespread use of registered mail is not cost effective. Accordingly, registered letters are reserved for the initial legal correspondence issued in the pursuit of unpaid dues.	
	The Authority is utilising an email delivery report for invoices issued through the system, which allows identification of undelivered emails and subsequent follow-up by post where necessary.	
	The Management is in discussion with the supplier to introduce a function in the CC Tab to highlight delivery or non-delivery of correspondence sent from the system.	 Mar-2027
Action taken not deemed sufficient The Authority is to strengthen its internal monitoring mechanisms to ensure strict adherence to the respective SOP. This procedure clearly stipulates that in the case of defaulting payments, there should be a follow-up call after three weeks, a formal letter after six months, and the initiation of legal action if no repayment agreement is reached. **Accepted**	Legal recovery actions, including the issuance of *Bonarja* letters followed by escalation to legal proceedings where necessary, address long-standing arrears.	
	The CC tab is operational and enables staff to flag arrears cases manually, which are then populated in a central dashboard providing improved visibility over ageing balances, account status, and credit control actions.	
	KPIs have been introduced based on manual credit control activities in relation to the number of accounts reviewed and actions performed per week.	
	Monthly reporting of arrears performance is drawn up to strengthen monitoring and management oversight.	

Recommendations	Action taken/justification	Status
In case of companies which are leasing properties from the Authority, the latter is to monitor the notices published from time to time by the Malta Business Registry to enable the Authority to recoup the amounts due from the tenants before these are struck off from the register. This will reduce the Authority's risk of losing its rights to collect any dues. **Accepted**	Management is currently relying on notifications received through the Malta Association of Credit Management and manual checks of Malta Business Registry information to identify adverse company status changes.	
	Management has initiated the process to recruit a Due Diligence Officer whose responsibilities will include monitoring current and prospective tenants, assisting in the identification of potential defaulters, and supporting the establishment of procedures related to Credit Management.	
	The current process was amended such that *Bonarja* letters returned undelivered by registered mail are now being referred to the Enforcement Section for hand delivery to strengthen follow-up procedures.	
	Cases remaining pending following the issuance of the third arrears letter are being referred to Legal Section for further legal action and advice.	
	The SOP has been updated to incorporate formal procedures governing enforcement actions following favourable court rulings, including defined timelines and responsibilities for initiating recovery measures. A mandatory workflow has also been established for the tracking, enforcement, and recovery of funds post-judgment, ensuring that the Arrears of Revenue Return status is updated in a timely manner to reflect amounts that have been legally determined as due and recoverable.	
The Authority is also encouraged to explore the possibility of implementing a tracking system within LEMIS to automatically flag overdue accounts and trigger follow-up action. **Accepted**	The Debtors' Ageing Report is issued on a monthly basis, following which debtor accounts are allocated to individual staff members for monitoring and follow-up, with management prioritising high-value debtors. This process was included in the Credit Control SOP.	
	The CC Tab within LEMIS enables visibility over actions performed on debtor accounts, including identification of the last user who performed actions on a particular account.	
	The Authority plans to introduce automated SMS reminders for repayment agreement prior to payment due dates.	 Mar-2027

Recommendations	Action taken/justification	Status
Periodic checks are to be performed to verify that timely and appropriate recovery actions are consistently applied across all property cases. These measures will enhance accountability, reduce financial risk and ensure more effective credit control to minimise the financial losses. **Accepted**	Management communicated operational guidance to CC staff regarding the use of the CC Tab dashboard to identify accounts requiring follow-up and escalation actions.	
	Management holds monthly one-to-one meetings with CC staff members to monitor progress on assigned accounts and future commitments.	
	The Authority has formally documented supervisory checks and periodic compliance reviews within a structured control framework to ensure that recovery actions are applied consistently across all property cases.	
	The Authority has established formal quality assurance reviews and measurable KPIs to assess recovery effectiveness, enforcement timeliness, and the consistency of recovery actions.	

General comment

Throughout the audit process, the auditee demonstrated a high level of cooperation and was forthcoming with the requested documentation and information. The officers involved were knowledgeable about the processes under review and provided clear explanations where necessary, which facilitated the audit procedures and contributed to the timely completion of this engagement.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Heritage Malta – Personal emoluments		
Payment of allowances not duly substantiated Heritage Malta will persist in issuing a call for applications until the vacant post is filled.	Dec-2025	**Implemented in May 2026**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Heritage Malta – Heritage assets		
No formal policies and procedures for the movement of heritage assets As a proactive measure and to raise further awareness on heritage items, HM will deliver a presentation to all Directors Corporate Services (DCS), outlining the procedures for maintaining, documenting, and managing the movement of HM assets within their remit.	Oct-2025	**Implemented as planned**
Discussions with the stakeholders are currently in progress to formalise the MoU.		
Lack of periodic physical checks As a proactive measure and to raise further awareness of heritage items, HM shall conduct a presentation at a DCS forum, outlining the procedures for the maintenance, recordkeeping, and movement of HM assets.		
Inadequate conservation of heritage assets During the presentation to be delivered to Directors Corporate Services, HM will emphasise the importance of being notified in advance of any works that may impact heritage items, to provide guidance on their proper preservation.		

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Pjazza Teatru Rjal – Revenue and expenditure		
Legal identity not established High-level discussions are taking place on this matter, with ongoing consultations between relevant stakeholders to commence the process to establish Pjazza Teatru Rjal (PTR) with a distinct legal status from the Arts Council Malta (ACM).	Dec-2026	**Not yet implemented** In view of the recent Ministerial changes in portfolios following a general election, the Ministry for Arts, Culture and National Heritage is committed to continue the high-level discussions and propose a way forward. Estimated date of implementation is December 2026.
After securing its legal status, PTR will proceed with registration at the VAT department to streamline the procurement process.		
Once PTR is officially recognised as a distinct legal entity from the ACM, the Management will proceed with the establishment of a dedicated financial framework, including setting up a bank account and accounting software.		
Board of Directors composition Once the current Board's term ends, the Ministry will review the composition of PTR's Board of Directors to ensure it aligns with the organisation's operational scope and administrative needs.	Jun-2026	**Not yet implemented** In view of the recent Ministerial changes in portfolios following a general election, the Ministry for Arts, Culture and National Heritage is committed to continue the high-level discussions and propose a way forward. Estimated date of implementation is December 2026.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Lease of coffee bar ACM is committed to adequately prepare procurement plans well in advance and subsequently approved by the appropriate level of authority. This is in accordance with the Department of Contracts Circular No. 04/2025 – Annual Procurement Plan Report.	Dec-2025	**Not yet implemented** ACM is the legal entity responsible for the tender and the signatory to the lease contract of the coffee bar. The current concession for the operation of the Coffee Bar designated premises at PTR expires in 2029. ACM is committed to initiating the process for a new lease tender in due course, ensuring that this is undertaken before the expiry of the current lease.
Shortcomings in relation to third party contracts An SOP will be implemented to regulate rental rates for various facilities and services. It will outline the steps for determining rates and ensure that all documentation, agreements, and invoices accurately reflect the charges. Clear procedures will be established to promote transparency, including details on available services, applicable discounts, and additional fees. All decisions will be minuted and maintained for future reference. Management is dedicated to consistently adhering to the SOP to uphold fairness and accountability	Oct-2025	**Implemented in September 2025** A standard operating procedure intended to guide the rental of Pjazza Teatru Rjal for third party productions or events, was first drafted in September 2025 and updated in January 2026.

2024 GA PUBLICATION

Pending action reported in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Public Broadcasting Services Ltd – Revenue			
Rates charged not in line with rate cards PBS is currently undertaking market research to identify a suitable Enterprise Resource Planning Solution (ERPS) within the PBS budget.	In progress Market research is ongoing.	Oct-2025	**In progress** Given the complexity of the ERPS, PBS is continuing the market research exercise to identify and shortlist the solutions that most effectively meet its operational requirements. Market research is estimated to be completed by Q1 2027.

2023 GA PUBLICATION

Pending action reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Local Councils – Revenue			
Inconsistent data submitted by Local Councils Following this assessment, the LGD will issue a tender for a common accounting software for all local councils.	In progress Stakeholder discussions are ongoing. Chart of Accounts will be finalised by end of July and tender for the provision of common accounting system will subsequently be issued by the end of Q3.	Oct-2025	**In progress** Following a series of consultation meetings involving the NAO, Local Government Auditors, Local Council Accountants, and Executive Secretaries, the final Chart of Accounts was developed and agreed upon. Subsequently, a meeting was held with all Local Councils' Executive Secretaries, Local Council Accountants, and Data Input Officers to present the implementation process and provide the necessary guidance for its rollout. During these discussions, stakeholders reached a consensus that the introduction of a common Chart of Accounts constitutes a fundamental pre-requisite for the eventual adoption of a common accounting software system across Local Councils. Discussions regarding the latter initiative remain ongoing. Estimated date for the publication of the tender for a common accounting software is Q4 2027

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Lands Registration Agency - Revenue			
Lack of segregation of duties Currently, the Land Registration Agency (LRA) is in the process of testing a new system to digitise the core business process. The fees due to agency will be automated through this system and payment will be made through a payment gateway.	In progress Development on the new Online system for submitting applications that will also incorporate online payments has continued to progress steadily, and the system is now set to include a significantly broader range of services and functionalities than originally planned. However, the proposed solutions for migrating data from the current internal system to the new online platform have not yet met the Agency's expectations. As a result, a full launch remains pending. Therefore, in the interim, the LRA has set to address the concerns raised by the NAO regarding revenue management by implementing various initiatives to respond to NAO's recommendations. First and foremost is the segregation of duties and the concept of four-eye principle to ensure good governance.	Mar-2026	**In progress** Development of the new online system has continued to progress steadily throughout 2025 and into 2026. To ensure a smooth transition, the system will be launched in phases: • Phase 1 introduced the Searches and Siteplans modules. This phase was to be delivered by the end of Q3 2026. • Phase 2 will introduce the Applications module, which is dependent on the successful completion of the data-migration exercise. Phase 2 is estimated to be completed by Q4 2026. In parallel with system development, the Agency has continued strengthening its revenue-management process in line with NAO recommendations. A new Standard Operating Procedure (SOP) has been introduced to ensure that all revenue-related processes are governed by the four-eye principle, supported by mandatory reconciliation procedures and the required verification checks. The SOP also formalises and reinforces segregation of duties, ensuring that responsibilities are appropriately distributed to safeguard transparency, accountability, and good governance.

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
When the digitised system is launched, any refunds or cancellations will be automatically recorded through the system.	In progress Until the system is fully launched the following procedure has been put in place to issue refunds: 1. The Unit Coordinator reviews the claims by referring to the application, and assesses the calculation of the fee. This assessment is documented in the respective application file. A recommendation is then made. 2. The recommended way forward is referred to the Accounting Officer who decides whether a refund is due or not. 3. The Accounting Officer proceeds to issue refund if this is due. 4. The original cash sale/invoice is reversed by the Accounting Officer.	Mar-2026	**Implemented in July 2026** System launched.

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Inadequate checking procedures The new information technology (IT) system will have an in-built calculator of fees that will be checked by the agency officers. One of the features of the system is the automatic generation of daily revenue reconciliation reports.	In progress Checking procedures were introduced for major revenue generation items. Wherever a correction is required documents are kept for a proper audit trail.	Mar-2026	**Implemented in July 2026** A new SOP has been introduced to ensure that all revenue-related processes are governed by the four-eye principle, supported by mandatory reconciliation procedures and the required verification checks. The SOP also formalises and reinforces segregation of duties, ensuring that responsibilities are appropriately distributed to safeguard transparency, accountability, and good governance.

2022 GA PUBLICATION

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Festivals Malta – Expenditure			
Carnival event: Shortcomings in the organisation of the Carnival event Once the works on the Carnival warehouses, forming part of the Culture and Arts Complex, are finalised, FM will assign new areas and sign agreements with the new occupants	In progress ERDF Funds have been approved by the Planning and Priorities Co-ordination Division on 23 January 2025. The first tender for the Excavation and Piling works has been issued and subsequent tenders will follow.	Q1 2027	**In progress** Excavation works are earmarked to be completed by November 2026. The tender for construction shall be issued afterwards. Revised estimated date of completion of the project is December 2029 Note: the above dates are subject to all things going as planned, with no issues of major archaeological findings and/or appeals throughout the tendering process.

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Malta Film Commission - Expenditure			
Credit card facility not in line with standing provisions 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	Not yet implemented	Dec-2025	**Implemented in August 2026**

2020 GA PUBLICATION

Pending action reported in GA Report 2020	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Malta Libraries – Expenditure			
Non-current assets not recognised Malta Libraries will be using the inventory (stocks) module.	Date of implementation depends on the filling up of the vacant posts. Malta Libraries will be resubmitting its request for the addition of a new employee in its upcoming HR Plans.	N/A	**No progress to report**

MINISTRY FOR

SOCIAL POLICY AND CHILDREN'S RIGHTS

MSPC

CARER'S ALLOWANCE AND CARER'S GRANT – EXPENDITURE

The Ministry for Social Policy and Children's Rights (MSPC) strives to ascertain an improved quality of life through the provision of sufficient social benefits for individuals and families in need, consisting of quality social welfare services and proper housing in order to boost the local communities. In addition, appropriate long-term care and quality services are provided for the elderly with a strong concentration on active ageing and to keep such people in the community for as long as possible. Central to the Ministry's mission is also the preservation of equal opportunities for all persons with disability in all aspects of life.

The main scope of this audit was to determine the adequacy and effectiveness of the internal controls over the payments made to carers for Carer's Allowance (CRA), Increased Carer's Allowance (ICRA) and Carer's Grant (CRG). Verifications, in line with the pertinent legislation and applicable procedures, were performed to ensure that the applications were being duly checked and approved, prior to applicant being considered eligible for the foregoing benefits.

An audit on the CRA and CRG, both administered by the MSPC revealed that there were several overpayments to beneficiaries in cases where the patient passed away or was admitted into an elderly home or hospital.

IMPROVEMENT INITIATIVES

Following the NAO audit, the Ministry enhanced '*Is-Sistema għall-Amministrazzjoni tal-Benefiċċji Soċjali*' (SABS). The system now generates weekly automated alerts when a patient is admitted to a state hospital or residential home for older persons, as well as when carers fail to provide required updates.

MSPC established two directorates to address issues relating to social benefits. The Benefits Data and Risk Analytics Directorate analyses social security benefit trends and identifies emerging risks. The Benefits Compliance Directorate investigates potential non-compliance and verifies the eligibility of recipients of the CRA and ICRA. It also conducts sample-based compliance checks to identify unreported changes in order to reduce the risk of overpayments. Cases considered non-compliant are referred to the Investigations Committee for evaluation. Based on the investigation's outcome, the Benefits Compliance Directorate determines whether an unannounced home inspection is warranted.

Recommendations by the NAO 8



Accepted 8

Actions by the Ministry 14



Implemented 14

Key issues

Recommendations	Action taken/justification	Status
Overpayments to beneficiaries: Government Elderly Homes/ Hospitals/ Deceased To prevent overpayments, strong internal controls should be implemented to ensure beneficiaries report any changes in the patient's circumstances immediately. **Accepted**	The following enhancements and measures are expected to yield favourable outcomes, significantly decreasing the incidence of overpayments.	✓
	Is-Sistema għall-Amministrazzjoni tal-Benefiċċji Soċjali (SABS) Carer's Allowance (CRA) / Increased Carer's Allowance (ICRA) framework was enhanced to generate automated alerts, processed on a weekly basis, when a patient is admitted to a state hospital or a state old people's home. Upon receipt of such alerts, the related entitlement is automatically suspended.	✓
	SABS was also enhanced to send automatic alerts when updates from the carers were not provided.	✓
	MSPC established a Benefits Compliance Directorate to investigate cases of potential non-compliance and to verify the eligibility of beneficiaries in receipt of the Carer's allowance and the Increased Carer's allowance.	✓
	The Benefits Compliance Directorate is carrying out compliance checks on a sample of beneficiaries to verify adherence to Articles 97 and 98 of the Social Security Act (Cap. 318), with the aim of identifying unreported changes in circumstances at an early stage and reducing the risk of overpayments.	✓
	Through the data sharing agreement signed with Identità, the Benefits Compliance Directorate is able to verify whether the address of the patients was updated.	↻
	A Benefits Data and Risk Analytics Directorate was established to analyse trends in social security benefits, identify emerging risks, and support evidence-based oversight and policy decisions.	✓
	The MSPC integrated its system with the Jobsplus database through an Application Programming Interface. This integration enables the Ministry to verify whether the carers receiving the allowance meet the required eligibility criteria.	✓

Recommendations	Action taken/justification	Status
Carers must also be well informed of their obligations to report a patient's passing or admission to a hospital or elderly home, together with the consequences of failing to do so, which are to be clearly spelt out in the respective legislation **Accepted**	The Ministry is distributing biannual informative letters to the carers about their obligations to report a patient's passing or admission to the hospital or to an elderly home.	
Moreover, as a deterrent, a provision is to be included on the application form itself, stating that not reporting changes in circumstances would lead to fines, in accordance with Article 117 of the Social Security Act (Cap. 318). **Accepted**	In both the application form and the accompanying information letter, the Ministry is including a statement noting that failure to report any change in circumstances may result in the imposition of fines, in accordance with Sub Article (1) of Article 117.	
In addition, preventive measures are to be taken by the Ministry to ascertain that any notifications received are updated into the system immediately. **Accepted**	The SABS CRA/ICRA framework was enhanced to generate automated alerts, processed on a weekly basis, when a patient is admitted to a state hospital or a state old people's home. Upon receipt of such alerts, the related entitlement is automatically suspended.	
	SABS was also enhanced to send automatic alerts when updates from the carers were not provided.	

Recommendations	Action taken/justification	Status
Ideally, this process would be automated in collaboration with the Public Registry, as well as with Government-owned hospitals and elderly homes, in the case of new admissions. **Accepted**	The SABS CRA/ICRA framework was enhanced to generate automated alerts, processed on a weekly basis, when a patient is admitted to a state hospital or a state old people's home. Upon receipt of such alerts, the related entitlement is automatically suspended.	✓
	Following the SABS automated process, the Department of Social Security (DSS) in collaboration with Malta Information Technology Agency (MITA) has verified with the Public Registry that the necessary uploads are being performed positively on a weekly basis.	✓
Overpayments to beneficaries: Private Elderly Homes/ Hospitals Moreover, it is important that MSPC carries out regular inspections in such households to verify the continue eligibility of these allowances. **Accepted**	The Benefits Compliance Directorate is carrying out compliance checks on a selected sample of beneficiaries to verify adherence to Articles 97 and 98 of the Social Security Act (Cap. 318), with the aim of identifying unreported changes in circumstances at an early stage and to reduce the risk of overpayments.	↻
	If a case is deemed not in compliance, it is referred to the Investigations Committee on a weekly basis for their evaluation. The Investigations Committee is responsible for determining the appropriate course of action.	↻
	Following the outcome of an investigation, the Benefits Compliance Directorate will determine whether an unannounced home inspection is warranted.	↻
The Ministry is also encouraged to collaborate with private elderly homes and hospitals to send automated notification of new admissions. **Accepted**	MSPC is constantly communicating with private elderly homes and hospitals, encouraging them to provide updates of new admissions.	↻
	Through the data sharing agreement signed with Identitá, the Benefits Compliance Directorate is able to verify whether the patients' address have been updated.	↻

Control issues

Recommendations	Action taken/justification	Status
Inspections not being carried out Without home inspections, it is highly unlikely that the Ministry would be able to ensure that the carer is indeed living in the same household as the patient. Thus, MSPC is expected to plan a structured schedule for surprise home visits, covering all beneficiaries over a period of time, while also keeping a record of them together with any cases of non-compliance. **Accepted**	The Benefits Compliance Directorate is carrying out compliance checks on a selected sample of beneficiaries to verify adherence to Articles 97 and 98 of the Social Security Act (Cap. 318), with the aim of identifying unreported changes in circumstances at an early stage and to reduce the risk of overpayments.	
	If a case is deemed not in compliance, it is referred to the Investigations Committee on a weekly basis for their evaluation. The Investigations Committee is responsible for determining the appropriate course of action.	
	Following the outcome of an investigation, the Benefits Compliance Directorate will determine whether an unannounced home inspection is warranted.	

General comment

Throughout the audit process, the auditee demonstrated a high level of cooperation and was forthcoming with the requested documentation and information. The officers involved were knowledgeable about the processes under review and provided clear explanations, which facilitated the audit procedures and contributed to the timely completion of the engagement.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Out of Home Care Programme – Expenditure		
Source of benefit rates unknown The schedule of benefit rates for the Specialised Child in Care Benefit shall be published in the Government Gazette to provide legal backing in line with the rates stipulated in the relevant line item of the Government Budget Speech.	Oct-2025	**To be implemented through a different course of action** It is pertinent to note that the Specialised Child Care Benefit does not fall within the scope of the Social Security Act (Chapter 318), as it is not a social security benefit. Funding of the Out of Home Care Programme is provided through a specific line vote managed by the Foundation for Social Welfare Services (FSWS) within its approved budgetary allocation. In response to the NAO's recommendation, and in the interest of strengthening good governance, transparency, and accountability, FSWS has formalised the Specialised Fostering Allowance Policy, which establishes the framework and guiding principles governing the provision of such support. Given the specialised nature of fostering arrangements, fixed payment rates are not prescribed, as the level of support may vary according to the specific needs and circumstances of each case. To further enhance transparency, FSWS commits to publish, on an annual basis, a notice in the Government Gazette, to define the policy parameters and criteria that specify the determination and administration of these payments. Estimated date of implementation is October 2026

2022 GA PUBLICATION

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Service Pension – Expenditure			
Insufficient verification of applications After the new system is tried and tested, an analysis will be carried out regarding enhancements required.	In progress A list of enhancements has been compiled and is continuously being updated. A preliminary version is under discussion, and issues are currently being prioritised for contractor submission.	Q4 2025	**Implemented as planned**

MINISTRY FOR

AGRICULTURE, FISHERIES, AND ANIMAL RIGHTS

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Malta Food Agency – Revenue		
Occasional failures in barcode system The MFA is preparing to introduce a new AI-driven system designed to enhance control measures by automatically weighing produce boxes delivered by farmers to the Pitkalija. This long-term initiative will commence with its initial phase, which will focus on monitoring crate returns by buyers to improve data collection.	Dec-2025	**In progress** The AI functionality is being scoped with the supplier. Discussions took longer than expected as the Malta Food Agency (MFA) is evaluating a more holistic project than previously envisaged. As a startup, cameras have been installed as per instructions set by the supplier. MFA has embarked on a parallel process to implement new crates with radio-frequency identification chip. The AI crates pilot project will be implemented in phases with the award of the work Schedule for Q3 2026, followed by Phase 1 – Crates Washing in Q2 2027, Phase 2 – Crates Deliveries in Q3 2027, and Phase 3 – Crates Sales in Q4 2027. Estimated date for completion of project is Q4 2027.

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Agriculture, Fisheries and Animal Rights - Expenditure		
Shortcomings in the provision of cleaning services Each contracting authority independently manages its procurement processes, securing the required services and supplies according to its operational needs. Ultimately, the Central Procurement Unit (CPU) will supervise tenders published on the e-PPS, ensuring effective oversight and monitoring.	Dec-2025	**Implemented as planned** The Central Procurement Unit (CPU) has introduced a vetting process for all tender documents issued by Contracting Authorities prior to their submission to Sectoral Procurement Directorate and Department of Contracts and before publication on the e-PPS. This measure ensures that all documentation complies with the Publication Procurement Regulations, and Contracting Authorities are now required to follow CPU's established controls before proceeding with the next stages. The CPU continues to carry out random checks on tenders published on the e-PPS. Nonetheless, since all tenders are now being vetted before publication, comprehensive post-publication checks are no longer necessary and would duplicate existing work.

2024 GA PUBLICATION

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Department of Fisheries and Aquaculture – Revenue			
System shortfalls and inefficiencies – Different recording procedures within the same department Once the system upgrades are in place, the software from both locations will be integrated into one. The information being inputted in the spreadsheet will be transposed to the new system.	In progress During the execution of the awarded contract, the Department for Fisheries and Aquaculture (DFA) encountered unexpected challenges. The automatic cash machines have been tailored to meet DFA specifications, with the software currently undergoing necessary updates.	Dec-2025	**Implemented In January 2026** As at 5 January 2026, the DFA adopted a new transponders payment system which has amalgamated records previously retained separately at the Hard Standing Facility (HSF) and at the Head Office (HO). All service pillars in various locations work in parallel of each other.
Once the upgrades to the system are in place, the system will have inbuilt features to gather, sort and analyse information for each unique user. These upgrades will also automate the process.	Not yet implemented This recommendation will be fulfilled once the upgrades mentioned in the previous point are completed.	Dec-2025	**Implemented in January 2026** The new system can generate invoices and receipts for each service user. Invoices and receipts are assigned unique numbering which is sequentially allocated, with all pillars being linked together.

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Standard Operating Procedures (SOPs) will also be drawn up and circulated to the employees concerned to provide guidance on the use of the system.	Not yet implemented The SOPs will be developed and distributed upon the completion of the upgrades.	Dec-2025	**Implemented as planned** SOPs have been drawn up on the following procedures: • Transponder and hoisting services • Revenue collection • Reconciliation processes • New system usage
Staff will be provided with training on the use of the new system and its new functionality.	Not yet implemented Staff training will be conducted following the completion of the upgrades.	Dec-2025	**Implemented as planned**
System shortfalls and inefficiencies – Obsolete software system and inaccurate records Following the system upgrade, all invoices will have one unique sequential reference number, as invoices issued by both locations (HSF and HO) will be integrated into one system.	Not yet implemented	Dec-2025	**Implemented in January 2026** The new system can generate invoices and receipts for each service user. Such invoices and receipts are assigned unique numbering which is sequentially allocated, with all pillars being linked together.

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Sale of fish-below-the-line account – Concession fees outstanding All the concession agreements will be aligned with the legislation in force and the results of the feasibility study.	In progress DFA has submitted the draft concession agreement, operational permit, and proposed legal amendments for the required approvals. Once internal approval is granted, the proposal will be presented to Cabinet for endorsement, followed by the finalisation and signing of all relevant documentation.	N/A	**Implemented** The below-the-Line Account was closed off in June 2026. Payment of concession fees are in order in line with the Multi Annual Payment Agreement with each aquaculture operator. Fees for 2025 were paid in 2025. According to the agreement, fees for 2024 are to be paid in December 2026, bringing all fees in order from 2020 onwards. With regard to the Fees Payable for Aquaculture Operations Regulations, 2026, the legislation was presented to Cabinet in July 2026, followed by the publication of L.N. 211 of 2026.



MINISTRY FOR

ECONOMY, ENTERPRISE AND STRATEGIC PROJECTS

MEEP

TECH.MT - REVENUE AND EXPENDITURE

Tech.mt is a public-private partnership, established through a collaboration agreement between the Government of Malta and the Malta Chamber of Commerce, Enterprise, and Industry. Its mission is to promote and support Malta's technology and innovation sector, with a focus on advancing the country's digital economy and strengthening its reputation as a tech hub.

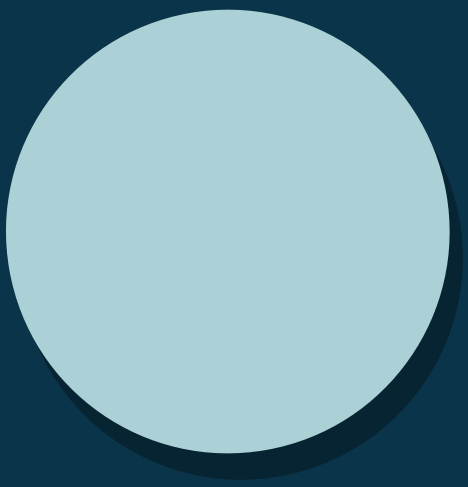
The main scope of this audit was to ensure that public funds were utilised in the most economical manner and for their intended purposes, in line with prevailing Public Procurement Regulations. Other objectives included obtaining reasonable assurance that payments made were accurate, duly supported by documentation enabling verification and in line with applicable agreements. The audit scope also covered the revenue cycles.

An audit carried out at Tech.mt revealed that the procedures and internal controls in the areas reviewed were adequate and operating effectively. Transactions generally complied with regulatory requirements, internal policies, and signed agreements, except for a few instances of non-compliance related to fiscal receipts.

IMPROVEMENT INITIATIVES

Following the NAO audit, Tech.mt updated its accounting policies and procedures to mandate the inclusion of both Tech.mt's and the supplier/client's VAT numbers on all invoices. Tech.mt also started issuing a fiscal receipt when the customer does not have a VAT number, and a tax invoice for VAT registered third party.

Recommendations by the NAO 2



Accepted 2

Actions by the Ministry 3



Implemented 3

Compliance issues

Recommendations	Action taken/justification	Status
Income and expenditure not covered by fiscal receipt Tech.mt is expected to be conversant with the VAT Act to ensure that proper fiscal documentation is consistently issued in accordance with standing regulations. In cases where the customer does not have a VAT number, a fiscal receipt should be issued in addition to the invoice. For VAT registered third parties, a tax invoice is to be raised, which should include both the Foundation's VAT number, as well as that of the external party. **Accepted**	Tech.mt updated its accounting policies and procedures to mandate the inclusion of both Tech.mt's and the supplier/ client's VAT numbers on all invoices.	
	Tech.mt is issuing a fiscal receipt when the customer does not have a VAT number, and a tax invoice for VAT registered third party.	
Defaulting customers are to be reported to the pertinent authorities. **Accepted**	Tech.mt is committed to reporting defaulters to the relevant authorities in line with the pertinent MFIN circulars.	

General comment

NAO satisfactorily noted that, except for issues relating to fiscal documentation, robust internal controls were in place. These ensured that evidence required for each transaction complied with prevailing regulations, internal policies and signed agreements, as applicable. The responsible officers demonstrated a high level of cooperation and provided prompt clarification for all queries raised. NAO also noted strong accountability, transparency and overall good governance in the management and administration of the revenue and disbursements processes tested. Several best practices were evident, including thorough record-keeping and strict adherence to regulatory requirements. These contributed significantly to the efficiency and integrity of the Foundation's financial operations.

FOLLOW-UP ON PENDING ACTIONS

2024 GA PUBLICATION

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Concession Fees – Revenue			
Lack of adequate control by the Ministry MEEP has drafted an addendum to the concession agreement to formalise the change, specifying that unclaimed prizes are to be deposited every six months (July and January) in the Social Causes Fund and the Responsible Gaming Foundation. Subsequently, unclaimed prizes were deposited in July 2023 and in January 2024. It is anticipated that the addendum will be signed by end of year 2024.	In progress The Ministry and the Concessionaire are still in discussion in relation to the addendum. Nonetheless, unclaimed prizes are being deposited every 6 months and appropriate verification exercises on the amounts deposited are also being carried out as per NAO recommendations.	Oct-2025	**Implemented in August 2026** Following discussions between the parties, an addendum was signed by both the Ministry and the Concessionaire.
MEEP has drafted an addendum to the concession agreement, delineating the payment terms of the unclaimed prizes, and clearly specifying who is the recipient of the yearly monitoring fee. It is anticipated that the addendum will be signed by end of year 2024.	In progress The Ministry and the Concessionaire are still in discussion in relation to the addendum. Nonetheless, unclaimed prizes are being deposited every 6 months and appropriate verification exercises on the amounts deposited are also being carried out as per NAO recommendations.	Oct-2025	

2023 GA PUBLICATION

Pending action reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Malta Government Investments Limited – Expenditure			
Revision to agreements not formally documented After an issue regarding the subleasing of premises is discussed and agreed upon with the Lands Department, intercompany arrangements will be reflected into formal contractual agreements.	In progress MGI has lodged formal applications with Lands Authority (LA) so that the premises are transferred from MIMCOL to MGI. Inter-company arrangements will follow if the applications are approved.	N/A	**In progress** Two applications submitted for the transfer and extension of lease were approved by LA. Another application submitted for a request to lease is being processed by LA.

MINISTRY FOR

INCLUSION AND THE VOLUNTARY SECTOR

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Public Social Partnerships for Persons with a Disability – Expenditure		
Reliance on Aġenzija Sapport without appropriate communication The Ministry is currently exploring the development of a formal Memorandum of Understanding (MoU) with Aġenzija Sapport to further strengthen cooperation and clarify roles and responsibilities.	Dec-2025	**Implemented in March 2026**
Financial scrutiny and surpluses MIV will be engaging in a capacity building initiative to engage professionals with accounting and legal expertise. This measure will enhance the internal vetting process for financial statements and ensure a more robust review mechanism.	Dec-2025	**Implemented as planned**
In the interim, MIV is in the process of issuing a call for quotations to engage a qualified Accountant to support immediate financial scrutiny needs pending the internal capacity-building exercise.	Dec-2025	**Implemented as planned**
MIV is exploring the development of a MoU with the OCVO to formalise collaboration and further strengthen financial compliance and oversight processes	Dec-2025	**Implemented as planned**
In addition to the compliance review carried out by the OCVO, MIV plans to conduct operational evaluations of audited financial statements. To support this, Public Social Partnership (PSP) agreements will be reviewed by individuals with legal and accounting expertise. This will require internal restructuring and/or recruitment, and in the interim, MIV is in the process of issuing a call for quotations to engage a qualified Accountant, as part of its ongoing efforts to strengthen financial oversight.	Dec-2025	**Implemented as planned**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Lack of segregation of duties The PSP framework is being updated to incorporate a new operational structure, streamline data-sharing processes, and introduce standard operating procedures (SOPs) to reduce administrative burdens. These reforms are being developed in consultation with stakeholders, pending ongoing discussions.	Dec-2027	**On target** SOPs and templates for day, respite, transition, and residential services were developed following a review of NGO policies under active PSP Agreements, which identified gaps across key areas including health and safety, medication, complaints handling, finance, procurement, and nutrition. These are being refined in consultation with relevant stakeholders and authorities, while the PSP framework is being updated to strengthen operations, standardise procedures, and streamline data sharing. Estimated date of implementation December 2027.
As part of the ongoing transition of the PSP framework, the Ministry is engaged in internal discussions on formalising procedures to address staffing shortages. These procedures aim to ensure continuity of operations and minimise disruptions, particularly in critical administrative functions.	Jun-2026	**Implemented as planned**
Non-compliance with established circular MIV will be regularly providing OCVO with records outlining payments made on a monthly or quarterly basis, as applicable.	Dec-2025	**Implemented as planned**

2023 GA PUBLICATION

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Commission for the Rights of Persons with Disability – Revenue and expenditure			
Non-adherence to Public Procurement Regulations Discussions are being held with the Kamra tal-Periti and Contracts Department regarding the structure of the tender for architectural services, after which a call for tender will be issued	To be implemented through a different course of action Following submission of the tender to the Sectoral Procrument Directorate, issues were encountered in the vetting process. Consequently, the Commission for the Rights of Persons with Disability (CRPD) is currently in discussions with the Department of Contracts (DoC) to seek guidance and determine the best way forward for procuring architectural services.	Oct-2025	**Not yet implemented** The Commission is still in the process of recruiting and procuring architectural services. Expected date of implementation Q4 2026.
Access for all CRPD is holding discussions with the PA so as to revise the structure relationship between the two parties to ensure that the modus operandi are clearly defined, stipulating, amongst others, clear terms of payment to CRPD.	Not yet implemented Internal discussions between the CRPD and the PA are still ongoing regarding the consolidated circular of the Inclusion Fund.	N/A	**Implemented as planned** A payment procedure has been established between PA and CRPD, whereby CRPD formally requests from PA a statement outlining the amounts due from the PA Inclusion Fund. The disbursement of these funds occurs on a bi-annual basis.

MINISTRY FOR

GOZO AND PLANNING

MGP

CULTURAL INITIATIVES AND THEMATIC EVENTS - EXPENDITURE

One of the roles of the Ministry for Gozo and Planning (MGP) is to generate and secure economic and social prosperity for Gozitan residents and various entities operating within the island, by making the best use of what Gozo has to offer in terms of historical and cultural sites, traditions, climate and natural features.

The Ministry issues targeted calls to local councils, voluntary organisations, parishes and individuals for the organisation of specific events, which form the foundation for the thematic cultural programmes compiled for every year. The management and operational aspects of any events that fall under this Cultural Initiatives and Thematic Events line item are handled by the Cultural Heritage Directorate within MGP.

The National Audit Office (NAO) sought to establish whether funds disbursed by MGP during 2024 were in accordance with the applicable detailed guidelines. The audit also focused on whether the funded events were selected in a transparent manner and that beneficiaries complied with the applicable terms and conditions. Other objectives of the audit were to establish whether funds were utilised for their designated purposes and that these disbursements were subject to effective internal controls to prevent misuse or inefficiency.

The audit revealed that the annual budget appropriated for Cultural Initiatives and Thematic Events was consistently exceeded and there were no standard operating procedures regulating the selection of events qualifying for such financing. Other shortcomings related to the processing of applications and submission of the required documentation. The audit also revealed the funding of ineligible expenses.

IMPROVEMENT INITIATIVES

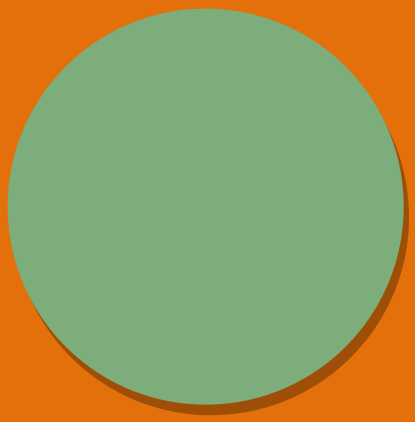
The Ministry for Gozo and Planning (MGP) has undertaken a comprehensive review of the Gozo Cultural Events Fund and related funding schemes to ensure that allocations are managed prudently and remain aligned with available budgetary resources. As part of this process, formal monitoring mechanisms have been introduced to strengthen oversight of expenditure, supported by systematic reviews, periodic reporting, and reinforced budgetary controls. Funding caps for established events have also been implemented through formal procedures to promote a fair, sustainable distribution of resources and create opportunities for new and innovative initiatives.

To strengthen financial governance, Management is ensuring that the necessary funds are formally committed through the timely issuance of Purchase Orders for contractual obligations, thereby safeguarding the availability of resources and ensuring that all commitments are properly authorised.

MGP has also enhanced governance arrangements by formally establishing the Evaluation Board, clearly defining its mandate, composition, and legal basis. Standard Operating Procedures (SOPs) now regulate the Board's operations, decision-making processes, and evaluation criteria, while ensuring that members possess the appropriate artistic, financial, and socio-economic expertise. In addition, meeting minutes are being formally recorded and signed to strengthen accountability and transparency.

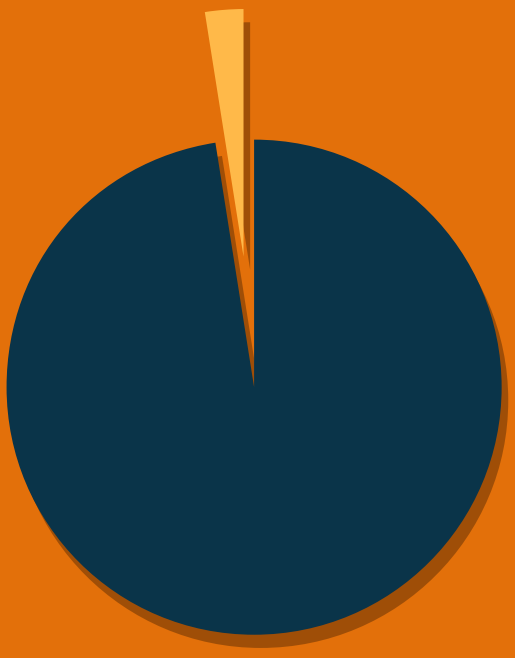
Further improvements include the introduction of a comprehensive SOP governing all stages of the funding process, a review of agreements to ensure compliance with eligibility criteria and strengthened controls over eligible expenditure. To enhance due diligence, third-party verifications, tax compliance certification, voluntary organisation compliance checks, and procurement verification mechanisms have been introduced. Finally, a standardised checklist and clearer documentation requirements have been implemented to promote consistency, transparency, administrative efficiency, and effective monitoring throughout both the application and post-event stages.

Recommendations by the NAO 24



Accepted 24

Actions by the Ministry 44



In progress 1

Implemented 43

Key issues

Recommendations	Action taken/justification	Status
Annual budget constantly exceeded Management is to ensure that the amount of funds disbursed is continuously monitored and ascertain that the necessary controls are in place to, as far as possible, keep the expenditure within the established budget. **Accepted**	The Ministry for Gozo and Planning (MGP) is carrying out a holistic review of all sponsorships and funded schemes, including the Gozo Cultural Events Fund, with the aim of ensuring that allocations are prioritised in line with available budgetary resources.	Dec-2026
	In the interim, the Directorate for Cultural Heritage has introduced formal monitoring mechanisms in the Gozo Cultural Events Fund to ensure continuous and transparent oversight of expenditure against the approved budget. This includes systematic review and periodic reporting, together with reinforced controls to ensure that commitments and approvals remain within the allocated budget unless formally authorised in line with established procedures.	
	The Management is ensuring that the necessary funds are duly allocated by issuing Purchase Orders for each respective contract. This step secures the financial resources required for implementation and confirms that all commitments are properly authorised.	
	Through the issuance of these Purchase Orders, the Directorate is formally reserving the funds needed for the execution of contractual obligations. This process guarantees that the financial commitments are safeguarded and available throughout the duration of each contract.	
MGP is also to explore the possibility of capping the funding awarded for the established events based on the yearly allocated budget, thus possibly freeing up funds for the sponsorship of new events. **Accepted**	MGP is implementing funding caps for established events to ensure that allocations remain aligned with the overall annual budget and maintain a fair, sustainable distribution of resources.	
	MGP is adjusting funding decisions for recurring events in line with available financial resources, ensuring that no excessive concentration of funds is directed toward established activities.	
	A formal written procedure has been established addressing, among others, the capping of funds awarded for the main events.	
	MGP reallocates available funds to create space for new initiatives, ensuring that resources are distributed in a way that supports fresh, innovative events.	

Recommendations	Action taken/justification	Status
No prescribed guidelines or standard operating procedures The Evaluation Board is to be officially set up and its operations are to be regulated within the boundaries of an established framework. Selection criteria for members, as well as their responsibilities should also be clearly defined, to ensure that only suitably qualified individuals possessing relevant artistic, financial and socio-economic expertise are selected. This would ensure that the best decisions are made in terms of the acceptance of applications, also encouraging fresh and diverse ideas. **Accepted**	MGP formally formed the Evaluation Board, clearly defining its legal basis, composition, and mandate.	
	The Management introduced a comprehensive framework through SOPs, regulating the Board's functions, roles and decision-making processes, including criteria for the selection of applications, with the aim of ensuring accountability and consistency in the evaluation process.	
	Clear criteria were established regarding the composition of the Board, to ensure that the members possess relevant artistic, financial, and socio-economic expertise, supporting informed and balanced decision-making.	
Furthermore, since the Board's decisions affect various stakeholders who may wish to contribute to these cultural events, keeping formal records is essential to provide an audit trail to substantiate decisions taken, promote transparency and foster trust in the function and good governance of the Board. **Accepted**	The Management is ensuring that minutes of all Evaluation Board Meetings are formally signed and recorded, capturing the discussions held and decisions taken, including the rationale supporting each approval or rejection.	

Recommendations	Action taken/justification	Status
Additionally, the Ministry is encouraged to formulate a clear set of SOPs to cover the entire process. This is to be communicated to all the officers involved in the administration of this line item, to ensure fairness and consistency in the treatment of all applications for funding. **Accepted**	The Management has established and implemented a SOP that provides a comprehensive and standardised framework governing all stages of the process, ensuring uniform eligibility criteria, consistent evaluation procedures, transparent funding decisions, and structured post-event reporting.	
	The SOP has been communicated to all officers involved, accompanied by appropriate guidance and training to ensure their consistent and effective application in practice.	
Funding of ineligible expenses MGP is expected to have appropriate measures in place to ensure that in the future only eligible expenses, as specified in the Guidelines issued by the Cultural Heritage Directorate, are funded. **Accepted**	Disclaimer: With respect to the events highlighted by the NAO and organised by the Ministry, it is noted that the agreement in force at the time did not contain the clause "excluding fireworks". The expenses were therefore processed in accordance with the applicable terms of that agreement.	
	The Management undertook a systematic review of agreements to ensure that contractual terms are fully aligned with the current eligibility criteria, particularly the requirement to exclude ineligible expenses such as fireworks.	
	The Management remains committed to ensuring that future agreements are developed in accordance with the guidelines, with clear distinctions between ineligible expenses and permissible ancillary costs, to promote consistent interpretation and application across all cases.	
	The Management strengthened controls over eligible expenditure by reinforcing procedures that ensure only costs permitted under the Guidelines are approved and reimbursed. This includes applying systematic checks at both the evaluation and payment stages to safeguard compliance and promote sound financial stewardship.	

Recommendations	Action taken/justification	Status
Possible funding of ineligible events The Ministry is to refrain from issuing disbursements for fundraising events, in view that these activities generate income to the organiser. **Accepted**	The Management enforced a rule under which only Voluntary Organisations (VOs) may generate a surplus from funded events, supported by verification mechanisms to ensure full compliance. This measure, which is incorporated into the SOP, is intended to ensure that any profits derived from such activities are channelled back into NGOs, enabling them to sustain and strengthen their ongoing operations and community-focused initiatives.	
Moreover, the definition of cultural events in the Guidelines should be clarified to eliminate any reasonable doubt as to which events qualify for funding under this line item. **Accepted**	The Management has revised and clarified the definition of a "cultural event" within the Guidelines to ensure that it is clear, comprehensive, and unambiguous. This updated definition is supported by standardised eligibility criteria that specify which types of events qualify for funding and which do not, and these provisions have been formally incorporated into the Guidelines and contractual documentation to ensure consistent application across all funding decisions.	
	The Management provides clear and accessible guidance to both applicants and evaluators to ensure a shared understanding of the revised definition and eligibility criteria, thereby promoting consistency, transparency, and fairness throughout the assessment and funding process.	
	The Management has strengthened controls by ensuring that evaluation processes verify that only events satisfying the revised definition of a "cultural event" are approved. This reinforcement promotes consistency in decision-making and safeguards the proper use of public funds.	

Control issues

Recommendations	Action taken/justification	Status
Possible unequal treatment due to different application submission methods NAO acknowledges that immediate action was taken by MGP to address the highlighted concerns. However, it is also recommended that the applicable terms and conditions of contracts with beneficiaries are to remain effective until all fiscal receipts, as well as final reports and other required documents have been duly submitted, to prevent negative consequences in the case of default. **Accepted**	The Management has enhanced the Cultural Funding Scheme by introducing a more consistent, transparent, and controlled process, supported by the following measures: • All applications are submitted exclusively through the online system, replacing the previous option of email submissions and ensuring a uniform application process. • The online system incorporates more comprehensive terms and conditions, including obligations related to implementation, post-event reporting, and the submission of fiscal documentation. • A single contract template applies to all beneficiary organisations, guaranteeing identical terms and conditions across all agreements financed under the scheme. • The application period has been extended to three months, providing applicants with sufficient time to prepare and submit the required documentation in line with the standardised process.	
Submission deadlines not adhered to The Ministry is to invariably reject late applications, to maintain fairness amongst all applicants. This will also allow adequate time for processing of applications, evaluation, and timely communication of decisions. **Accepted**	The Management will strictly enforce the three-month application submission deadline established under the Cultural Funding Scheme Guidelines, supported by measures to ensure full compliance. Late submissions will be subject to penalties or disqualification, thereby reinforcing respect for the established time frame, promoting fairness among applicants, and ensuring that adequate time remains available for the proper evaluation of applications and the timely communication of decisions.	

Recommendations	Action taken/justification	Status
No evidence of compliance with the Voluntary Organisations Act Given that the requirement of registering with OCVO and compliance with the Voluntary Organisations Act (Cap. 492) is reiterated on numerous occasions within the Guidelines for Applicants, the Ministry is expected to request a copy of the original certificate of registration at application stage, to obtain comfort that the organisation is duly registered and compliant. This would help reduce the risk of providing funding to ineligible applicants. **Accepted**	The Management explained that checks with the Office of the Commissioner for Voluntary Organisations (OCVO) are conducted both at the application stage and again prior to issuing any payments, to ensure that all organisations satisfy the required compliance obligations. Applicants are also requested to present their original certificate of registration when submitting their application. The Management further noted that these procedures have long been established and were already in place prior to the audit period.	
Unofficial flexibility from contract clauses Whilst it is acknowledged that voluntary organisations face resource challenges, all entities, regardless of their size, should be held to uniform standards in line with the agreed conditions, to ensure transparency and equal treatment. **Accepted**	A single, standard set of contract terms is being applied to all beneficiary organisations, ensuring consistency in the conditions and obligations regardless of organisational size. As part of this framework, the deadline for submitting fiscal receipts and supporting documentation has been formally extended to three months. These revised timelines and requirements are now integrated into the standard contractual arrangements, ensuring that all beneficiaries operate under the same rules and expectations.	

Recommendations	Action taken/justification	Status
Adherence to guidelines not sufficiently corroborated Obtaining third-party confirmations is essential for verifying the accuracy of declarations made by applicants in support of their eligibility for funding, as these confirmations serve as independent and objective evidence that can validate the claims made in the applications. Without such verification, there is a heightened risk of inaccurate or misleading information, potentially leading to the allocation of funds to ineligible applicants. This undermines the fairness and credibility of the grant process. This undermines the fairness and credibility of the grant process. By incorporating third-party confirmations into the assessment process, such as requesting the applicant to submit a tax clearance certificate from the Malta Tax and Customs Administration at application stage, as well as ensuring compliance with procurement procedures, the Ministry enhances transparency, reinforces due diligence, and ensures that public funds are distributed responsibly and in line with the intended objectives of the funds allocated for Cultural Initiatives and Thematic Events. **Accepted**	To enhance transparency, strengthen due diligence, and support the responsible allocation of public funds, the Management has introduced the following measures : • Third-party confirmations are incorporated into the application and the evaluation process to ensure that the information provided by applicants is independently verified; • Applicants, particularly individuals and companies exceeding established thresholds, are required to submit a tax compliance certificate issued by the Malta Tax and Customs Administration, confirming adherence to fiscal obligations; • Voluntary organisations are required to demonstrate compliance with the Voluntary Organisations Act (Cap. 492), supported by relevant documentation where necessary; • Verification mechanisms have been implemented to ensure that beneficiaries comply with Government procurement procedures as a condition for the disbursement of funds.	

Recommendations	Action taken/justification	Status
It is also suggested that a list of documents that are required to be submitted is incorporated in the Guidelines. **Accepted**	To strengthen administrative efficiency and control, the Management introduced a standardised checklist designed to streamline the review process, reduce delays, and enhance transparency and accountability. This is supported through the following measures: • Incorporating a clear and comprehensive list of required supporting documents within the Guidelines, outlining all documentation to be submitted at both application and post event stages; • Standardising documentation requirements to ensure consistent submission practices across all applicants and minimise inconsistencies and omissions; • Aligning the required documentation with eligibility and verification processes, including financial, legal, and operational compliance.	

Recommendations	Action taken/justification	Status
Income and expenditure statement not submitted by applicant The Ministry is to consider developing its own standardised template for an income and expenditure statement. This template is to guide the beneficiaries on the manner in which details of the income generated by the event, the categories of all the expenses incurred, and the resultant net profit or loss, are to be reported. This would enable standard data collection and simplified analysis, also minimising the risk of omissions and inconsistencies that may arise from varied formats used by different applicants. **Accepted**	The Ministry has developed a standardised web-based reporting template for income and expenditure statements to be used by all beneficiaries. This template has been designed to ensure that financial information is reported in a consistent format, including clear breakdowns of income, expenditure categories, and any resulting surplus or deficit. It is also intended to provide beneficiaries with clear guidance, supporting them in preparing complete and accurate financial statements in line with reporting requirements.	
Additional financing granted following the event The agreements entered into between the Ministry and the applicants before events take place are to be considered as final, since these indicate commitments and financial arrangements. To ensure transparency, accountability, and equitable treatment to all applicants, the amount allocated for each event is not to be revised retrospectively as this could also set a precedent for additional funding requests by other organisers, which may be difficult to support. **Accepted**	Agreements entered into between the Ministry and the applicants before events take place are to be considered final and binding, clearly outlining the financial commitments and obligations of both parties. In line with this principle, the Ministry does not revise or increase the approved funding amount once an event has concluded, thereby avoiding any retrospective adjustments to the agreed allocation. By adhering to the amounts established in the signed agreements, the Ministry promotes transparent decision-making, ensures accountability in the use of public funds, and upholds equitable treatment for all applicants under the scheme.	

Recommendations	Action taken/justification	Status
Furthermore, it is crucial that all significant decisions are duly documented and filed for audit trail purposes. This would provide Management with a clear record of what was decided, the rationale, the persons involved, and the context in which it occurred. **Accepted**	Management is ensuring that all significant decisions are appropriately documented by formally recording them in the minutes of the Board's meetings, which are duly signed, with the relevant supporting documentation retained for record-keeping purposes. This practice provides a clear audit trail that reflects the decisions taken, the rationale behind them, and the individuals involved, thereby reinforcing transparency and facilitating future verification or audit requirements.	
Expired performance guarantee Management is to ensure that a valid performance guarantee is in hand to cover the whole contract period. This will ascertain adequate safeguard in case of default by the contractor. **Accepted**	The Directorate for Cultural Heritage has strengthened contract management and oversight by ensuring that performance guarantees remain valid for the full duration of each contract, with timely renewal or replacement where required, and verifying the continued validity of these guarantees to maintain adequate financial safeguards in the event of contractor default.	
	The Management has formalised a Standard Operating Procedure (SOP) outlining the processes for administering and monitoring contracts, and this has been shared with the relevant officers.	
Purchase orders issued after invoice date To strengthen financial control, all purchases should be preceded by a purchase order. This ensures that the transaction has received proper authorisation and that sufficient funds are available to cover the expense. **Accepted**	The Directorate for Cultural Heritage has strengthened its procurement and financial controls by implementing an SOP that requires all purchases to be supported by a prior purchase order, ensuring that each transaction is properly authorised before any funds are committed. This measure helps confirm the availability of sufficient funds, reduces the risk of duplicate payments, and enhances overall financial management and accountability. The SOP has been disseminated to all officers concerned.	

Recommendations	Action taken/justification	Status
Misallocation of expenditure and the use of Direct Orders for catering services Transactions are to be recorded in the appropriate account; otherwise, it would be difficult to exercise control and determine the total cost of the respective category of expenses. This will also avoid the possibility of distorted and misleading financial information. **Accepted**	The Directorate for Cultural Heritage has strengthened its financial management and accounting practices through the introduction of standard operating procedures that ensure the proper classification of transactions and the recording of expenditure under the appropriate budgetary accounts, thereby supporting clearer monitoring and reporting of costs. These procedures have been formally disseminated to the officers concerned to ensure consistent application across the Cultural Heritage Directorate. The Directorate also declared that no further instances occurred in which an event was financed incorrectly from the cultural events line item.	
Moreover, where possible, Management is to procure goods and services following a competitive procedure and resort to direct orders only when absolutely necessary. **Accepted**	Management has strengthened procurement controls by implementing an SOP that prioritise competitive procedures, such as requests for quotations and e-PPS tenders, while ensuring that direct orders are issued only when strictly necessary, duly justified, and fully compliant with public procurement regulations and sound financial management principles. This SOP has been formally circulated to all relevant staff to support consistent application.	

Compliance issues

Recommendations	Action taken/justification	Status
Fiscal receipts not issued in a timely manner Appropriate fiscal documentation, inclusive of all relevant details, is to be obtained immediately upon making the respective payments for the purchase of goods or services, in line with VAT legislation. **Accepted**	Management has reviewed its procedures to ensure full compliance with VAT legislation, including the timely issuance and collection of fiscal receipts. As part of this process, measures are being strengthened to ensure that fiscal documentation is obtained at the time of payment or immediately thereafter, in line with the requirements of the Value Added Tax Act (Cap. 406).	✓
	Management has strengthened internal controls by introducing measures to verify that all fiscal documentation is complete, accurate, and obtained within the required timeframe before any payments or reimbursements are processed.	✓
	Clear guidance is being provided both to Ministry officials and beneficiaries on the requirement to obtain and submit fiscal receipts promptly, ensuring consistent adherence to VAT obligations and supporting accurate financial documentation.	↻
	Management is maintaining ongoing monitoring to ensure consistent adherence to VAT requirements, thereby reducing the risk of non-compliance and strengthening overall financial accountability.	↻
Management is also to adhere to the requirements of MF Circular No. 2/2012 – 'Submission of Fiscal Receipts to Government Departments', by reporting defaulters to the Commissioner for Tax and Customs on a quarterly basis. **Accepted**	Management has reviewed and strengthened existing procedures to ensure full compliance with MF Circular No. 2/2012 on fiscal receipts, including the introduction of processes to identify incomplete or non-compliant fiscal documentation, such as receipts that are undated or missing required details, before any payments are processed.	✓
	Mechanisms have been established to ensure that non-compliant suppliers are reported to the Commissioner for Tax and Customs on a quarterly basis, in accordance with the requirements of the Circular.	✓
	Internal controls have been strengthened to ensure that only properly completed fiscal receipts are accepted and processed, thereby reducing the risk of incorrect reporting periods and ensuring full compliance with applicable requirements.	✓

Recommendations	Action taken/justification	Status
Direct Orders not published in the Government Gazette For the sake of transparency and good governance, the Ministry is to comply with the requirements of the PPR and publish the full list of contracts awarded in the Government Gazette within a reasonable time. **Accepted**	The Ministry has strengthened its compliance framework for procurement publication requirements by reinforcing adherence to the Public Procurement Regulations (S.L. 601.03) and Contracts Circular No. 9/2021, while also enhancing internal monitoring mechanisms to ensure that all awarded contracts exceeding €5,000, including direct orders, are accurately identified, compiled, and submitted for publication in the Government Gazette within the prescribed six-month time-frame.	

General comment

NAO was generally satisfied with the level of cooperation demonstrated by MGP during the audit. Documentation and information requested were forwarded within acceptable timeframes. Furthermore, this Office positively notes Management's full acceptance of the recommendations presented and the commitment to implement them accordingly.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Road Construction and Improvements – Capital expenditure		
Limitation on scope of audit As part of a broader Office of the Prime Minister (OPM) initiative, a centralised digital filing system is being developed to integrate MGP's documentation processes, ensuring improved retrieval and storage security.	Jun-2026	**In progress** In June 2026, an officer was assigned to record new files on the CEDMS. Additionally, physical active files are being transferred onto the CEDMS. Estimated date of implementation is December 2027

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
The Ministry will publish a tender to engage a qualified risk manager for the development of a comprehensive risk register.	Dec-2025	**In progress through a different course of action** The Ministry for Gozo is implementing three courses of action to address this recommendation. a) Engagement of a Consultant – completed Following the award of significant EU funding to the Ministry, a decision was taken to reinforce the Ministry's risk management capacity through the engagement of a Consultant. b) Commission of Internal Auditing Services for major roadworks To further strengthen the Division, a separate procurement procedure will be concluded by December 2026 to engage an independent internal auditor to review the processes and ongoing operations of a major roadworks project. The auditor will prepare a project risk register and devise an early-warning and verification mechanism to help the Ministry identify risks, pre-empt their occurrence, and minimise their impact within predetermined thresholds. Tenders for roadworks and infrastructure exceeding €1 million are to be vetted and reviewed by an external technical consultant. This process has started in June 2026. Internal Audit Services (Tender) This tender will appoint a qualified auditing firm to provide internal audit, governance, risk-management and compliance assurance services to the Ministry. This tender was published on 7th August 2026. Its risk management role will cover key institutional, procurement and contract-management risks, including their identification, assessment, prioritisation, and recording in a Ministry-wide register, together with proportionate controls and mitigation measures. c) Tender for the Development of a Lifecycle Management System This tender will develop and implement a Tender Lifecycle Management System to centralise the control the Ministry's tendering process from initiation to award, replacing manual tracking with a structure register, document controls, approval workflows, dashboards, alerts, reporting and audit trails.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
The risk register will be prepared by the contracted service provider once the public tender has been awarded.	Jun-2026	**In progress** The Consultant is compiling the EU Funds risk register. Estimated implementation is December 2026. The risk register corresponding to the procurement under point (b) of the preceding column is estimated to be completed in June 2027. The risk register corresponding to the procurement under point (c) of the preceding section is estimated to be completed in December 2027.
MGP is carrying out a detailed training needs analysis to identify gaps in procurement related knowledge.	Dec-2025	**Implemented in April 2026**
Following the conclusion of the training needs analysis, a rigorous training programme will be launched to ensure that management and staff are fully equipped with the necessary skills in procurement procedures.	Jun-2026	**Implemented in May 2026** Subsequent to the completion of the training needs analysis, the delivery of specialised training to officers involved in procurement commenced in May 2026. Arrangements are also being made to ensure that newly appointed officers receive the relevant training upon assuming their duties.
Conflicting clauses in the same contract possibly leading to additional costs The risk of conflicting terms will be included in the procurement risk register.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
The risk register will include the risk of missing or inadequate documentation, along with appropriate controls and clearly defined ownership to effectively mitigate these risks.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027
Inadequate contract management Risks associated with contract modifications and their corresponding addendums will be incorporated into the procurement risk register, ensuring appropriate measures are in place to mitigate these risks.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027
The lack of adequate insurance coverage will be included in the procurement risk register to mitigate and adequately assign the associated risks to the responsible officials.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027
The risks, controls and ownership associated with the absence of work registers will be integrated in the procurement/contract management risk register.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Risks associated with the non-provision of daily work registers will be included in the risk register, along with mitigating measures addressing the relevant contractual penalties.	Jun-2026	**In progress** To ensure comprehensive risk coverage, the risk will be included in the relevant risk register. The proposed Tender Lifecycle Management System will also factor in the risk to prevent tenders from leading to contracts with conflicting clauses. Estimated date of implementation is December 2027
Risks associated with poorly defined BoQ items will be included in the risk register, along with corresponding mitigating measures and clearly assigned responsibilities to address and manage these risks.	Jun-2026	**In progress** The Consultant and the awarded Contractors will be tasked with evaluating the risks associated with insufficiently detailed Bills of Quantities (BoQs) and proposing suitable mitigating actions for inclusion in their risk registers. Estimated date of implementation is December 2027
The risk of insufficient photographic evidence will be reflected in the risk register. This entry will highlight the potential oversight and accountability issues if visual records are missing.	Jun-2026	**In progress** The Consultant is responsible in formulating the risk register to include the risk associated with insufficient photographic evidence. The register shall highlight the potential oversight and accountability issues. This will be communicated as well to the awarded contractors of the tender/ framework as detailed above. Estimated date of implementation is December 2027
Lack of traceability of project costs MGP will include the risk of misclassification of project expenditure in the risk register, noting that failure to create a dedicated sub-line could lead to inaccurate financial reporting and a hindered audit process.	Jun-2026	**In progress** To ensure comprehensive risk coverage, awarded contractors will be required to include this risk in the relevant risk register. Estimated date of implementation is December 2027

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Contract for architectural services signed retrospectively and inadequate performance guarantee The risk associated with commencing works without prior approval, before signing the contract or without authorisation for urgent works will be added to the risk register.	Jun-2026	**In progress** The risk registers to be developed under the various procurement procedures shall also include those risks associated with the misclassification of project expenditure. The proposed Tender Lifecycle Management System will further mitigate the risks given it will streamline all required approvals. This will ensure better traceability and provide clear workflows to the concerned officers as well as senior management. Estimated date of implementation is December 2027
MGP will be including the risks associated with performance guarantee coverage in the risk register, to assign responsibilities and mitigate any potential risks.	Jun-2026	**In progress** The Ministry will be including the risks associated with performance guarantee coverage in the risk register, to assign responsibilities and mitigate any potential risks. Estimated date of implementation is December 2027

2024 GA PUBLICATION

Pending action in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Gozo – Expenditure			
Habitual bypassing of procurement regulations The Ministry is currently discussing the development of a data gathering and reporting system for procurement with the aim to trigger any necessary actions automatically notifying the pertinent project manager and the procurement unit.	In progress The first phase of the data gathering and reporting system for procurement has been developed. Currently work on the second phase is being carried out.	Mar-2026	**In progress** The second phase of the Procurement Requisition System has since been included as a Key Performance Indicator for the Information Management Unit. It will now undergo a Business Process Reengineering exercise with the support of an external expert. This exercise will result in recommendations for system improvements or, if necessary, the implementation of a new system. Estimated date of implementation is September 2027

MINISTRY FOR

HOME AFFAIRS, SECURITY AND EMPLOYMENT

MHSE

INTERNATIONAL PROTECTION AGENCY - EXPENDITURE

The International Protection Agency (IPA) was established in 2020, succeeding the Office of the Refugee Commissioner. IPA's fundamental objective is to ensure a totally independent, fair, efficient and swift eligibility determination process of the applications for international protection while, at the same time, guaranteeing the best quality possible regarding the respective hearing, analysis and determination of eligibility.

The scope of the audit was to verify whether the salaries paid to IPA officers during 2024 were accurate and in line with the respective collective agreement and/or the Public Service Management Code, as applicable. The adequacy and compliance of the personnel engagement process were also reviewed. Furthermore, verifications were carried out to assess the accuracy of rental payments.

Despite having its own allocation of funds, the financial and administrative independence of the Agency was limited. Shortcomings were also noted in the engagement of personnel, as well as the lease of offices by the Agency.

IMPROVEMENT INITIATIVES

IPA addressed the NAO's recommendations by attaining full financial autonomy, enabling the Agency to prepare and approve its own budget, manage expenditure and cash flow, issue payroll directly, and ensure the audit of its accounts, among other financial responsibilities. IPA now requires a certificate of conduct from all applicants prior to appointment, with distinct procedures established for Maltese citizens, European Union nationals, and third-country nationals. With regard to leased property procurement, IPA has updated its standard operating procedure and is ensuring alignment with the Public Procurement Regulations..

Recommendations by the NAO 5



Accepted 5

Actions by the Ministry 8



Implemented 8

Control issues

Recommendations	Action taken/justification	Status
Limited administrative independence The Agency is to continue with the process of achieving autonomy from the Ministry and taking full responsibility for its finances without undue delay. **Accepted**	As from the 6th Payroll for 2025, salaries have been issued directly by the International Protection Agency (IPA).	✓
	In June 2025, IPA achieved full financial autonomy. Thus, the Agency was empowered to prepare and approve its own budget and control its expenditures, assets, liabilities, and cash flow.	✓
Furthermore, IPA is to ensure timely preparation and submission of financial statements in accordance with applicable legal and regulatory requirements. **Accepted**	The IPA's accounts were audited for the 2025 financial year.	✓
No certificate of conduct A self-declaration does not provide sufficient assurance that an employee has no criminal record. It is essential that proof of a clean conduct is submitted by the applicant at application stage. In the case of Maltese citizens, a Certificate of Conduct, issued from the Conducts and Criminal Records Office within the Department of Justice, would suffice. **Accepted**	The certificate of conduct is being requested for all applicants before appointments. In the case of Maltese citizens, a Certificate of Conduct, issued from the Conducts and Criminal Records Office within the Department of Justice is accepted by the Agency.	✓
When applicants hail from a foreign country, additional due care is required to identify the appropriate authority that can provide such proof. **Accepted**	For applicants from a European Union country, the Agency requires them to obtain official criminal record certificates from the competent authority in each Member State in which they have resided for a specified period.	✓
	With regards to the police conduct certificate of third-country nationals (TCNs), the IPA acts as a Determining Authority making decisions on behalf of Malta. TCNs cannot be employed by the Agency, including those holding long-term resident permits in other EU Member States. The only TCNs eligible to apply are those holding a Maltese long-term resident permit, in which case the standard Maltese conduct certificate requirement applies.	✓

Recommendations	Action taken/justification	Status
Procurement of lease not in line with regulations Prior to the expiration of the current agreements, IPA is to ensure that standing procurement of property regulations are duly followed. The Procurement of Property Regulations (S.L. 601.12), state that for procurement of property with an estimated value of not more than €500,000, a departmental tender is to be issued. Where the estimated value of the procurement exceeds €500,000, the tender has to be published, administered and determined by the Department of Contracts (DoC) on behalf of the contracting authority. Direction on this matter could also be sought from the DoC. **Accepted**	The Agency will follow its SOP for procurement to ensure that matters related to procurement, including property regulations, are duly followed.	
	The Agency records the lease agreement date in its online calendar to ensure that, at least eighteen months in advance, the relevant officers can initiate the necessary procedures for the procurement of its property. Moreover, a Procurement SOP was updated incorporating all recommendations put forward by the NAO and OPM, thereby addressing the requirements of the Procurement of Property Regulations (S.L. 601.12).	

General comment

NAO positively notes that a number of minor issues indicated during the audit were dealt with by the Agency. In general, this Office was satisfied with the level of cooperation demonstrated by IPA during the audit. Documentation and information requested was forwarded within acceptable timeframes, and thus the audit process could proceed efficiently.

ARMED FORCES OF MALTA - PERSONAL EMOLUMENTS

The Armed Forces of Malta (AFM) is made up of the Headquarters and five separate units, comprising three land units, an Air Wing and a Maritime Squadron. In order to ensure segregation of duties, AFM has separate Human Resources (HR) and Finance sections. Whilst HR is responsible for the working conditions of employees and authorisations, payments are processed by the Finance Management Branch (FMB).

The main scope of this audit was to assess compliance with the agreements and manuals in force and to determine whether an adequate audit trail for the payment of allowances was in place. Specifically, in terms of compliance, the audit verified the legitimacy of allowances paid against the sectoral agreement, other applicable manuals, as well as personal contracts, and assessed the accuracy of the payments against the same sources. Checks were also carried out to assess the adequacy of controls over the payroll, particularly with respect to allowances.

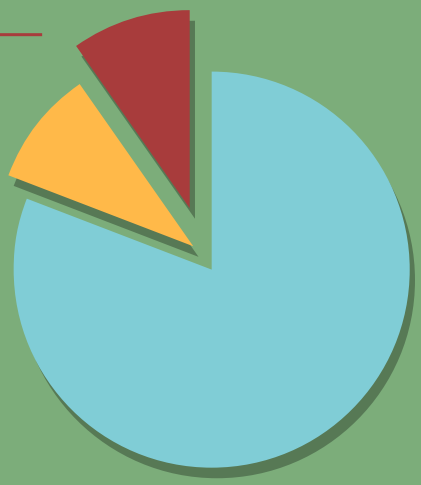
The payment of allowances by the AFM relied mainly on manual procedures and paper-based records. The process also lacked effective mechanisms to detect discrepancies arising therefrom. The audit also revealed incorrect payments and inconsistencies between the various records maintained.

IMPROVEMENT INITIATIVES

Following the NAO audit, AFM launched a comprehensive programme to strengthen payroll governance, internal controls and administrative efficiency. A Board was appointed to oversee the digitalisation of administrative functions, with payroll identified as a priority area. In preparation for a future digital payroll system, AFM undertook a business process re-engineering exercise and introduced standardised templates, procedures and forms to ensure consistency in payroll and allowance processing.

Internal control arrangements were strengthened through population-based checks, second-level reviews, segregation of duties, conflict-of-interest safeguards and enhanced accountability measures. An Internal Auditor was engaged to assess payroll processes and conduct annual reviews of control effectiveness. Comprehensive reviews of allowance payments were carried out, discrepancies were identified and corrected, and all overpayments were recovered. These measures aim to improve accuracy, transparency and governance while supporting the transition to a fully digital payroll environment.

Recommendations by the NAO 21

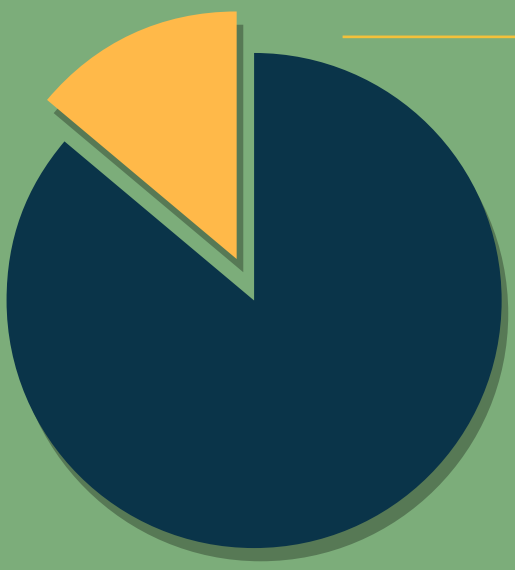


Not accepted 2

Partially accepted 2

Accepted 17

Actions by the Ministry 29



Long-term measure 6

Implemented 23

Key issues

Recommendations	Action taken/justification	Status
Heavy reliance on manual process and lack of system controls AFM is to consider the implementation of an automated payroll system that can be utilised across all units. **Accepted**	Following the NAO audit, a Board was appointed to provide long-term strategic guidance on the digitalisation of administrative tasks and functions. In this context, the digitalisation of the payroll system has been identified as a high priority.	✓
	A newly engaged Internal Auditor carried out a follow-up exercise to the NAO audit aimed at assessing the current payroll procedures and strengthening internal controls to mitigate identified risks.	✓
	The implementation of this digital system will automate the payroll process.	🕒 Long-term measure
	Until the longer-term digitalisation of the AFM's payroll system is implemented, standardised return template forms for all AFM units have been introduced for the processing of allowances, to ensure the streamlining of processes. This has been complemented by the introduction of a more robust system of internal control checks and certification of data.	✓
Ideally this system would also be integrated with the HR system wherein the work hours are inputted. **Accepted**	Following an analysis of the payroll procedures in place, AFM started a Business Process Re-engineering exercise to ensure that prior to the implementation of the new front end digital payroll application, business flows are rationalised while lean management and process optimisation techniques are sought.	🕒 Long-term measure
Such system should be designed with built-in controls to prevent common errors, such as automated data validation, approval workflows and an audit trail. **Accepted**	The target is that this digital system will be able to calculate hours worked, applicable pay rates and payable allowances and will have sufficient built-in controls to ensure data validity and robustness.	🕒 Long-term measure

Recommendations	Action taken/justification	Status
Unclear stand-by returns for payment processing All signatories are to be held accountable for the information they are endorsing. Return contents are to be duly verified against substantiating records confirming the actual attendance prior to their authorisation and subsequent submission for payment. **Accepted**	The newly introduced standardised return template clearly identifies stand-by hours and includes clear coding to avoid ambiguity. All regiments have been instructed to invariably make use of this template when submitting their returns.	
	The personnel verifying the templates are independent from the officials eligible for the on-call allowance and are not listed as a claimant in the form, in order to avoid any potential conflicts of interest. All returns are being endorsed by the officers compiling them to ensure accountability.	
	All returns are checked on a full population basis against substantiating records and endorsed by the designated verifying officers prior to onward submission to the AFM's Finance Management Branch (FMB).	
	All units have been provided with specific instructions by the FMB on how to complete the returns correctly to ensure consistency and transparency in the reporting of stand-by duties. Officers have been informed that officials endorsing incorrect claims will be held accountable by management.	
	AFM drafted and circulated a standard operating procedure (SOP) in relation to the standardised return template and the verification procedure.	
Moreover, for internal control purposes, it is recommended that an independent review process, where FMB checks a selection of allowance claims against the source time records per payroll, is adopted. **Accepted**	The FMB carries out second-level checks on a random sample basis and on the highest claimants across all returns for all AFM. Any returns containing errors are sent back to the respective unit for re-verification, and a full population check is subsequently carried out by FMB upon resubmission.	
	The newly engaged Internal Auditor will be conducting an annual audit review of the effectiveness level of the AFM's internal control payroll procedures, serving as a third-tier level of defence.	

Control issues

Recommendations	Action taken/justification	Status
Furthermore, Management is to conduct an immediate and comprehensive reconciliation of all discrepancies, at least from January 2024 onwards, to quantify the respective variances and initiate prompt compensation or recovery procedures. **Accepted**	The FMB carried out comprehensive checks of the on-call allowance payments, effected from January 2024 onwards, to quantify any variances.	✓
	Remedial action has been taken to correct the overpayments and underpayments identified.	✓
Moreover, a review of the returns submitted by the other units within AFM should also be carried out. Based on the outcome of this review, AFM's management is to decide whether to extend this to prior years. **Accepted**	The FMB conducted corrective population-based checks allowance claims against the source time records per payroll for such allowances for 2024. These checks were guided by an Inter-Office Memorandum (IOM), which outlines the instructions and procedures to be followed when carrying out the said checks. Furthermore, this exercise was conducted by an independent officer to ensure proper segregation of duties, was extended to all units and allowance types.	✓
	AFM recouped the stand-by allowances claimed by officers who were carrying out active duty hours.	✓
Annual cash payment paid twice Affected officers are to be informed of the overpayment, and arrangements should be made to recover the funds. **Accepted**	Affected officers were immediately informed of the overpayments, and the funds were subsequently recovered in their entirety.	✓
	AFM established a multi-level internal control checks regime to ensure the accuracy of payments.	✓

Recommendations	Action taken/justification	Status
Lack of controls and accountability in stand-by allowance processing AFM is to implement a standardised, clear and user-friendly form for all submissions, accompanied by clear guidance on the filling of the respective returns. Moreover, both the preparer and approver should be clearly indicated. **Accepted**	Standardised return template forms have been introduced to be used by all units for the processing of allowances, to ensure the streamlining of processes. This has been complemented by the introduction of a more robust system of internal control checks and certification of data.	
	Clear instructions have been issued through an internal use memo to ensure that the template forms are accompanied by the details of the officer compiling the form and the verifier.	
Checks over manual processes are to be enhanced within the units. **Accepted**	The new system of internal controls requires population checks at source level and reviews on a sample basis by the FMB for each payroll run. Governance and accountability are being enhanced through clear communication of roles and responsibilities for all personnel involved in the compilation of payroll-related data.	
	The newly engaged Internal Auditor will be conducting an annual audit review of the effectiveness level of the AFM's internal control payroll procedures, serving as a third-tier level of defence.	
Furthermore, to reduce calculation errors, FMB may use a uniform and protected spreadsheet template with built-in functions that would automatically handle complex calculations. **Accepted**	AFM has introduced a standardised spreadsheet for use by all Regiments, incorporating built-in automated calculations, to support consistent processing of stand-by allowances and reduce the risk of errors arising from manual calculations, pending the implementation of a front-end digital payroll system.	
AFM is also to recoup the stand-by allowance paid erroneously. **Accepted**	The AFM took immediate action to recover the erroneous payment and in fact all overpayments have been recouped.	

Recommendations	Action taken/justification	Status
Multiple sources of attendance records AFM is to consider the implementation of an automated attendance system that integrates data from all units. This would provide real-time, accurate and standardised attendance records. **Not accepted**	The Armed Forces of Malta are governed by the AFM Act which requires military personnel continuous service obligations. Attendance and hence accountability are regulated and managed by military chain of command, differing from civilian government departments. These include, inter alia, the following: - Unit fall-ins and muster parades; - Guard reports and duty rosters; - Watchkeeping and shift logs; - Operational deployment orders; - Commanding officer reporting structures	
Moreover, all changes to duty schedules are to be processed through a standardised and documented approval process, providing a clear audit trail. **Accepted**	A standardised, single corporate Change of Duty (CoD) form is being used by all AFM regiments to ensure consistency.	
	AFM has issued clear instructions to all units concerning the completion of the CoD form.	
	Any CoD is being documented and filed with references to the respective original duty rosters and guard reports.	
	The CoD process will be digitalised through the implementation of application developments aimed at digitising administrative tasks and functions.	 Long-term measure
	AFM formalised its existing physical on-the-spot checks by authorised duty officers to ensure that, beyond the data logged, the physical presence of sampled personnel on duty is verified. This activity is recorded for audit trail purposes.	

Recommendations	Action taken/justification	Status
Weaknesses in recording and payment of Sunday and Public Holiday duties It is highly recommended that an electronic attendance system is be implemented in order to reduce AFM's reliance on manual records and minimise errors. **Partially accepted**	The Armed Forces of Malta are governed by the AFM Act which requires military personnel continuous service obligations. Attendance and hence accountability are regulated and managed by military chain of command, differing from civilian government departments.	
	The future HRM system will ensure that the vast majority of payroll functions are digitalised, while AFM's military command structures relating to attendance accountability will be retained.	 Long-term measure
However, if the current manual recording of Sunday and Public Holiday duties on a logbook is to be maintained, internal controls should be strengthened by requiring the daily entries to be reviewed and signed off by a senior officer. **Accepted**	Sunday and public holiday duties are being reviewed and approved by senior officials.	
	Sunday and public holiday duty payments are subjected to a three-tier level of checks, ensuring a robust internal control regime.	
	The newly engaged Internal Auditor will be conducting an annual audit review of the effectiveness level of the AFM's internal control payroll procedures.	
	A formal conflict of interest policy has been introduced, addressing segregation of duties, to ensure that officers responsible for inputting and approving Sunday and Public Holiday duties, are not beneficiaries of such duties. The conflict-of-interest policy, which covers all types of duties across all units, has been communicated to all relevant personnel.	
Undocumented duty changes and record discrepancies The CoD form is to be filled in throughout AFM, and the formal procedure for completing it must be enforced for any duty schedule alterations by all officers. **Accepted**	A standardised, single corporate CoD form is being used by all AFM regiments to ensure consistency.	
	AFM has issued clear instructions to all units concerning the completion of the CoD form.	
	Any CoD is being documented through a form duly referenced to the original roster and the Guard Report.	

Recommendations	Action taken/justification	Status
To strengthen audit trail, regular checks are to be conducted to confirm that the form is being consistently completed and retained for record-keeping purposes. These forms are to be invariably attached to the Guard Reports. **Accepted**	Internal control checks were carried out to ensure that the CoD forms are consistently completed and referenced to the original roster and the Guard reports for record-keeping purposes.	
Furthermore, all duty changes should be processed through a standardised and documented approval process, and roster changes are to be reflected on the roster schedule. **Partially accepted**	Original Duty Rosters will not be amended to reflect physical presence – rather any deviation from the respective Guard Report will be traceable through CoD documentation that will be attached to the document set.	
	A standardised, single corporate CoD form is being used by all AFM regiments to ensure consistency.	
Inaccuracies in the vacation and sick leave records AFM is encouraged to transition away from the manual vacation leave tracking to an automated leave management system which would calculate the correct number of hours automatically based on the employee's shift schedule. This would ensure consistency and accuracy in the leave applications approvals and respective deductions. **Accepted**	As part of the digitalisation programme, the digitalisation unit will be including a dedicated module to account for vacation leave, sick leave, and all other types of absence that are specific to the operational needs of the AFM. While integrating with attendance records and payroll processes, this module will ensure accurate calculation of leave hours, consistency in approvals and proper deductions.	 Long-term measure

Recommendations	Action taken/justification	Status
Bureaucratic process in paying allowances AFM is to implement an automated platform for the approval of trade allowances to streamline the process between HR, FMB and the respective unit. This would help eliminate unnecessary delays and reduce the need for repetitive communication.	The current process does not pose any financial risk to the AFM and is sufficiently rigorous to ensure that only those eligible officers receive this trade allowance. Once approved the officer receives the allowance with retrospective effect.	**Not accepted**

General comment

AFM has cooperated fully with NAO both during and after the audit, taking immediate steps to address certain issues identified during this assignment. These proactive efforts demonstrate a commitment to improvement. Continued focus on timely implementation of NAO's recommendations will support the effective resolution of the audit findings.

CIVIL PROTECTION DEPARTMENT – CAPITAL EXPENDITURE

The Civil Protection Department (CPD) falls within the remit of the Ministry for Home Affairs Security and Employment. The main scope of the Department is to safeguard human lives, property and the environment. The Civil Protection Act establishes the role of the Department in maintaining a national system of prevention, preparedness and response to any disaster which might affect the Maltese community.

The main scope of the audit was to ensure that the acquisition of goods and services for capital projects in 2024 was in compliance with the Public Procurement Regulations (PPR), financial regulations and applicable circulars. The NAO also sought to ascertain that public resources were used in a judicious manner, and that the basic principles of accountability as well as transparency were upheld.

The audit on property, plant and equipment at the CPD indicated that procurement processes were not always aligned with the standing regulations. Moreover, notwithstanding major delays in service delivery of the main construction projects, penalties provided in the respective contracts were not yet applied.

IMPROVEMENT INITIATIVES

CPD safeguarded its interests and public funds by issuing Stop Work Notices, terminating non-compliant contracts and forfeiting the contractor's performance guarantee due to poor performance. Following negotiations and approval by the General Contracts Committee, an agreement incorporating the obligations agreed between the parties was concluded.

CPD approved only justified project extensions, factored project delays into the final settlement, monitored payments against contractual limits, introduced an additional level of verification for invoices prior to payment processing, and is implementing a contract management SOP to strengthen oversight and control.

Human resources within the procurement unit were reinforced, staff continue to receive periodic procurement training, and a procurement plan is being developed to enhance compliance with the PPR. Internal procedures were strengthened to ensure VAT compliance, while contract publication requirements were incorporated into procurement procedures and are being implemented through regular Government Gazette notices.

Recommendations by the NAO 11



Partially accepted 2

Accepted 9

Actions by the Ministry 24



In progress 3

Implemented 21

Key issues

Recommendations	Action taken/justification	Status
Penalties not applied CPD is expected to safeguard its interest and public funds, by ascertaining that contractors comply with the obligations stipulated in the respective agreements. **Accepted**	Throughout the contracts' implementation periods, Civil Protection Department (CPD) safeguarded its interests and public funds by issuing Stop Work Notices in response to unacceptable works. Further contractual and legal non-compliance led the CPD to terminate the Ta' Kandja Administration Block and Floriana fire station contracts.	✓
	The contractor's poor performance prompted CPD to proceed with the forfeiture of the performance guarantee, to the contractor's detriment, thereby safeguarding the CPD's interests and public funds.	✓
	Negotiations were held between CPD, the Department of Contracts (DoC) and the contractor to reach an amicable solution in the interest of the CPD. During the negotiations, CPD has reiterated that it will not certify or pay for works that do not meet the required standards.	✓
	Following an approval by the General Contracts Committee, a contract with the contractor was concluded incorporating all the obligations agreed during the negotiations.	✓
When there are project delays, timely action must be taken to apply penalties as stipulated in the contract. **Accepted**	Extension of time requests submitted by the contractor were examined by the Project Manager and the CPD and only delays that were justified and properly substantiated were accepted and approved.	✓
	Negotiations between the CPD, the DoC and the contractor were held and an amicable solution was reached. Unjustified project delays were taken into consideration for the final financial settlement.	✓
Other particular concerns arising in the main construction projects: potential cost increases in project management services for Floriana fire station CPD is to monitor payments to ensure that total fees remain within the contractual limits and that any cost or time extensions are justified and approved. **Partially accepted**	The payments issued to the project management company were justified considering the additional work that had to be carried out due to the major shortcomings of the contractor.	
	CPD monitored payments pertaining to the project management company against the contractual limits to ensure that the agreed amount was not exceeded.	✓
	A contract management SOP is being developed, implemented and communicated to ensure payments are effectively monitored, total fees remain within approved contractual limits, and any cost or time extensions are properly justified and formally approved prior to implementation.	🕒 Mar-2027

Recommendations	Action taken/justification	Status
Other particular concerns arising in the main construction projects: overpayment to contractor for construction and finishing of Ta' Kandja administration block The Department is to ensure that the outsourced project manager has the necessary payment verification controls to prevent overpayments. The overpayment of €18,493 (VAT excl.) is also to be recouped from the contractor. **Accepted**	The overpayment identified by the NAO has been fully recovered by the CPD.	
	Management has introduced an additional level of review and verification by senior management for all relevant bills prior to payment processing.	
	A contract management standard operating procedure (SOP) will be developed, implemented and communicated to establish clear contract management guidelines and to assign responsibilities for procedures that must be followed in compliance with the Public Procurement Regulations (PPR) and other applicable regulations.	 Mar-2027
Other particular concerns arising in the main construction projects: contract modifications for the extension to the existing operational block at Xemxija not supported by formal addenda All additional works and/ or extensions to the execution date of the contract should be duly formalised and endorsed by all contractual parties before implementation. **Accepted**	All requested addendums were duly prepared, approved, and provided in accordance with contractual and procedural requirements.	
	An SOP will be developed, implemented and communicated to ensure that all contract addendums are properly reviewed, approved, and signed by the relevant parties prior to implementation.	 Mar-2027

Recommendations	Action taken/justification	Status
Splitting of procurement In order to ensure transparency, fair competition and accountability in the use of public funds, the PPR are to be invariably followed. **Accepted**	In cases where CPD requires the use of a direct order due to the nature of its civil protection operations, compliance with the PPR is ensured.	
	Two additional officers have been assigned by the Ministry to join the Procurement Unit at CPD, with the aim of strengthening the Department's procurement function.	
	CPD is currently in discussions with the Public Works Department to explore the possibility of entering into an Memorandum of Understanding between the two Departments for the provision of maintenance works. This would reduce the need to resort to direct orders for urgent maintenance works.	
As far as possible, CPD is to plan its procurement needs well in advance in order to reduce the need to resort to direct orders for the necessary goods and services. In exceptional justified circumstances, approval from the Ministry for Finance is to be obtained before placing a direct order. **Accepted**	A procurement plan is being developed on an annual basis to ensure that CPD identifies and plans procurement requirements in advance and in a timely manner.	
	In cases where CPD requires the use of direct order due to the nature of its civil protection operations, compliance with the PPR is being ensured.	
Moreover, for audit trail purposes, where the aggregate cost is less than the €10,000 (VAT excl.) threshold, the request for quotation is to be made via an official email sent to at least three different economic operators. **Partially accepted**	As per PPR, purchases between €5,000 and €10,000 (excl. VAT) are being published on the e-PPS and three quotations must be obtained not requested.	
	CPD is ensuring that for purchases less than €5,000 (excl. VAT), three hand quotations are obtained and for purchases between €5,000-€10,000 (excl. VAT), a Call for Quotation is issued through the e-PPS.	
	The requirements in relation to procurement under €10,000 has been included in the procurement SOP and disseminated to all staff. Management is ensuring compliance.	

	Recommendations	Action taken/justification	Status
Control issue	**Lack of human resources** As an interim measure, until a procurement officer is employed, CPD is to nominate a number of employees to attend training courses provided by the Institute for Public Services on public procurement. Upon completion of the training, at least one or two of these employees could be formally designated to oversee the Department's procurement activities. **Accepted**	Two additional officers have been assigned by the Ministry to join the Procurement Unit at CPD, with the aim of strengthening the CPD's procurement function.	✓
		CPD is ensuring that all staff members within the procurement department undergo procurement training on a periodical basis.	↻
Compliance issues	**Shortcomings in intra-community acquisitions reporting** Management needs to liaise with the Malta Tax and Customs Administration in case of unawareness of VAT application **Accepted**	Internal procedures for processing foreign purchases have been reviewed and adjusted to ensure that VAT obligations are consistently met.	✓
		An internal memo has been circulated by the Finance Department emphasising the importance of complying with the VAT legislation.	✓
		CPD is ensuring that all staff members within the procurement department undergo procurement training on a periodical basis.	↻

Recommendations	Action taken/justification	Status
Procurement not published in government gazette In terms of Regulation 111(2) of the PPR, every six months, CPD should publish, in the Government Gazette, a list of all procurement awarded whose value exceeds €5,000 (VAT excl.). In this regard, Management is to liaise with the respective officer at the Ministry to ascertain that this information is published in a timely manner. **Accepted**	A list of all contracts exceeding €5,000 (excluding VAT) is being published in the Government Gazette every six months, in line with the PPR. The requirement to publish the award of contracts exceeding €5,000 (excluding VAT) has been incorporated in the procurement SOP.	✓ ✓

General comment

Throughout the audit, Management exhibited a good level of cooperation.

FOLLOW-UP ON PENDING ACTIONS

2025
GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Identity Malta Agency – Central Visa Unit		
Salary deviations from the collective agreement for Professional Officers Following the publication of the Labour Migration Policy, the Ministry is preparing to present the amendments to the 'Long-Stay Visa Fees Regulations' - SL. 35.35 for approval by Cabinet.	Dec-2025	**Implemented as planned** Long-stay Visa Fees Regulations were effectively amended through Legal Notice 167 of 2025.
Documentation related to salaries not available Identità will start utilising a digital filing system to manage and store the required documentation.	Dec-2025	**Implemented as planned**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Jobsplus – Expenditure		
Contribution to Lino Spiteri foundation Instead of changing the deed, Jobsplus and LSF will draft a joint letter with the accurate time frames related to the contributions made to LSF. The chairpersons of the board will also be informed of this arrangement.	Dec-2025	**In progress** The Finance Department has already submitted its recommendations as requested. Jobsplus is currently awaiting the proposed amendments from the Lino Spiteri Foundation (LSF) to enable its legal advisor to prepare a draft addendum incorporating all requested changes. The estimated date of implementation is December 2026.
Jobsplus and LSF have agreed that Jobsplus' internal audit will audit LSF as part of its plan.	Jun-2026	**In progress** The Jobsplus Board established an Internal Audit Committee in February 2026 to oversee the internal audit function. All audit findings will be submitted to the Committee for review. The estimated date of implementation is December 2026.
Lack of adequate substantiating documentation Jobsplus is in discussions with MFIN for the procurement of an Enterprise Resource Planning (ERP) Software that will cater for contract management.	Dec-2025	**In progress** The ERP system has been identified and procured. The estimated date of implementation is January 2027.
Jobsplus plans to engage an Executive (Contracts Monitoring) to oversee all the projects.	Jun-2026	**Implemented as planned**

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Inadequate contract oversight Once engaged the Executive (Contract Monitoring) will ensure that all contractual obligations are being adhered to. The Executive will be tasked to develop a detailed checklist to verify that all deliverables and technical requirements outlined in the contract are being met.	Jun-2026	**In progress** The Contract Monitoring Executive is currently developing a centralised contracts database. Once the database is finalised, periodic audit checks will be carried out to verify compliance with contractual obligations and ensure that contract terms are being adhered to. The estimated date of implementation is October 2026.
The Executive (Contracts Monitoring) will also draw up a contract management SOP.	Jun-2026	**In progress** The estimated date of implementation is October 2026.
Inefficient utilisation of transport services Following legal advice, Jobsplus concluded that the contract will be terminated once 80% of the funds have been disbursed.	Jun-2026	**Action withdrawn** Taking into account the relevant contractual obligations and associated timeframes, Jobsplus determined that termination of the agreement could result in legal risks disproportionate to the intended outcome. In view of this, it was considered more prudent and in the best interests of both Jobsplus and Government not to proceed with the termination.
Accrued expenditure An MoU with FSWS, Servizz.gov and Aġenzija Sapport will be signed in respect of Valletta and Birgu Centres.	Mar-2026	**Implemented as planned**
Jobsplus is in discussion with the Lands Authority in relation to a lease agreement.	Mar-2026	**In progress** Jobsplus has initiated the process to secure a formal lease agreement for the Ħal Far Head Office premises. The anticipated completion date will depend on the timely progression of the required procedures and the coordination of all parties involved, including the Lands Authority.

2023 GA PUBLICATION

Pending action reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Correctional Services Agency - Capital expenditure			
No systematic approach to manage capital expenditure A risk register covering all Correctional Services Agency's (CSA) objectives will be compiled in accordance with OPM circular 1/2016. Such a register will facilitate the identification of any risks that may have an impact on the achievement of an objective.	Not yet implemented The risk register will be prepared by CSA staff following an internal exercise to identify risk areas related to capital expenditure.	N/A	**In progress** The risk register is being prepared. The estimated date of implementation is December 2026

2022 GA PUBLICATION

Pending actions reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Local Enforcement Systems Agency – Revenue			
Local Enforcement System Local Enforcement System (LESA) is holding discussions with a software developer to digitise the debt.	In progress The Debt Collection System is still being developed.	Dec-2025	**Implemented in July 2026** The Debt Collection System was tested and deployed.
Financial statements not prepared Subsequently, the auditor will proceed to conclude the financial statements for 2020.	In progress The financial statement of 2019 was submitted. The 2020 and 2021 financial statements are being prepared.	Dec-2025	**In progress** The financial statements for 2020 and 2021 are still being prepared. The estimated date of implementation is December 2026

MINISTRY FOR

THE ENVIRONMENT, ENERGY AND PUBLIC CLEANLINESS

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Urban Greening – Expenditure		
Inadequate project documentation and monitoring Project Green is currently working on introducing a central information system for project implementation and tool management. Once introduced, the system will help the entity to improve its document management and will enable it to maintain better audit trails.	Jun-2026	**Implemented as planned**

2024
GA PUBLICATION

Pending action reported in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Energy Efficiency Schemes (PV Systems Grants) - Expenditure			
Lack of verification - No confirmation with third parties In line with Commission Regulation 2023/2831 Article 6 (1), information concerning de minimis aid granted under this scheme shall be made publicly available in a central register either at a national or a union level. Once this register is finalised, the Regulator for Energy & Water Services (REWS) will be in a position to check all the beneficiaries before granting aid.	On target	N/A	**Implemented** The European Commission has made publicly available a central register whereby all state aid granted is logged. This register can be accessed through the following link: *https://aid-register.ec.europa.eu/home*. Following this development, REWS is binding itself to check with the available data before granting any aid to confirm that de minimis aid thresholds are not surpassed.

2023 GA PUBLICATION

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Electric vehicle charging pillars – Expenditure			
Concerns arising from the purchase of charging pillars and respective software The Energy and Water Agency (EWA) is carrying out a procurement process for specialist knowledge to draw up a long-term master plan.	In progress The process to obtain specialist knowledge to draw up a long-term master plan is still ongoing. It is expected that by December 2025 the consultant would be appointed and Government would thus have better visibility of the master plan's delivery timeframes.	N/A	**In progress** From the last submission to date, responsibility for the Project and the public Electric Vehicle Charging Infrastructure network has been transferred to the Climate Action Authority. As a result, the recruitment process was paused, directly affecting the timelines for preparing the tender specifications. In parallel, strategies to accelerate the deployment of charging infrastructure are being assessed. The selected approach may directly affect the pertinent master plan. Consequently, the procurement process for specialist expertise to develop a long-term master plan is presently on hold.
Conflicting information regarding revenue collection An automated reconciliation process, between user payments and electricity consumed, is being explored to improve the operations of the current charging infrastructure.	In progress A reconciliation exercise conducted on behalf of EWA is being discussed with the Contractor.	Jun-2026	**Implemented as planned**

2022 GA PUBLICATION

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Enemed Co Ltd - Revenue and receivable			
Commission paid not covered by agreement Agreements will be signed by Enemed and these jobbers at the opportune time.	In progress Negotiations with third parties are expected to resume once subsidies are lifted.	N/A	**In progress** Negotiations with third parties are underway. Once agreement on the new pricing structure is reached, an agreement will be signed.

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Street lighting and other services – Expenditure			
Ministry lacked pertinent data on the subject matter The Ministry started the process to identify the pertinent stakeholders and consult them appropriately in the course of drawing up the restructuring plan	In progress As a result of increased communication lines with ARMS Ltd., the Ministry is now also being provided with electronic copies of Streetlighting consumption bills, thus facilitating the work in analysing consumption trends. Discussions to obtain a formal agreement with the Ministry for Gozo and the Ministry for Finance on transferring the responsibility for consumption costs of Gozo meter accounts are ongoing.	Oct-2025	**In progress** Discussions with the Ministry for Gozo are ongoing to identify the pertinent stakeholders. Upon the identification of stakeholders for the verification and consumption of bills, responsibility for consumption costs of the Gozo meter will be transferred to the designated entity.



MINISTRY FOR

FINANCE

MFIN

INTEREST PAID ON VAT REFUNDS – EXPENDITURE

The Malta Tax and Customs Administration (MTCA) is the national authority responsible for the administration and collection of taxes and customs duties in Malta. It was formally established through amendments to the Commissioner for Revenue Act, consolidating the functions of the Income Tax, Value Added Tax (VAT), and Customs Department under a single unified structure. As part of these amendments, the Act was renamed the Commissioner for Tax and Customs Act (Cap. 517).

Amongst others, as part of its administrative responsibilities, MTCA is responsible for the processing, verification and assessment of VAT returns, as well as the collection of VAT and the issuing of related refunds.

The main scope of this audit was to verify that interest on VAT refunds was calculated and paid in accordance with the Value Added Tax Act (Cap. 406) and in terms of the recommendations issued by the International Monetary Fund in connection with the Field Guide to the Tax Administration Diagnostic Assessment Tool. The audit also sought to assess the adequacy of checks and controls applied in determining and disbursing such interest. In addition, the audit examined the causes of delays in issuing VAT refunds by MTCA to assess whether such delays were justified.

The audit revealed delays in the processing of these repayments, system limitations, and instances where interest was paid despite delays attributable to taxpayer non-compliance.

IMPROVEMENT INITIATIVES

MTCA has strengthened its VAT administration through targeted system updates, enhanced automation, and improved risk governance. VAT system parameters were revised so that refund withholding applies only to the fiscal year in which a VAT return is missing. When any required return is outstanding, the system automatically blocks VAT refunds, VAT-to-VAT set-offs, and refund interest processing, ensuring consistent and impartial treatment. Interest on VAT refunds is fully calculated by the VAT99 system, with no manual intervention, safeguarding accuracy and taxpayer rights.

From January 2025, MTCA introduced an automated Statistical Analysis Rules System SAS-based risk-assessment procedure for all VAT credit claims. High-risk cases are then escalated to the Triage Committee, and refunds are withheld solely for the highest risk claims pending an Aspect Audit. MTCA also established an enterprise-wide Risk Escalation Plan covering IT and operational risks, reviewed annually.

The forthcoming Integrated Tax and Customs Administration System will further support compliance through dedicated reporting capabilities.

Recommendations by the NAO 13



Not accepted 2

Accepted 11

Actions by the Ministry 29



In progress 3

Implemented 26

Key issues

Recommendations	Action taken/justification	Status
Interest payments to taxpayers despite delays attributable to non-compliance MTCA is to consider incorporating system logic that aligns with Article 24 of the Value Added Tax Act (Cap. 406), to ensure that accrued interest is appropriately managed in cases where Income Tax returns are still pending. **Accepted**	The Malta Tax and Customs Administration (MTCA) has revised the Value Added Tax (VAT) information system parameters to ensure that refund withholding is applied exclusively to the specific fiscal year for which a tax return remains outstanding.	
	There is no manual intervention in the VAT information system process; consistency in the calculation of VAT refund interest is assured. If any return required by law is missing, the system blocks: • VAT refunds • VAT-to-VAT set-offs; • Refund interest calculations from proceeding to payout stage.	
	MTCA anticipates that the new integrated automated tax and customs administration system (ITCAS) will incorporate functionality for generating a dedicated report to support compliance monitoring.	 Dec-2028
Moreover, MTCA is to develop and implement comprehensive standard operating procedures covering all stages of the VAT refund process, from claim submission to payment and interest calculation. These procedures are to establish clear responsibilities, timelines and internal controls aimed at ensuring uniform application of procedures and reducing the risk of errors or inconsistent treatment across all cases. **Accepted**	The VAT interest on refund calculations is fully automated, with no manual intervention at any stage of the process. Taxpayers submit their refund claims through the VAT return, after which the VAT99 system automatically performs the interest computation.	
	The only process currently performed manually is the withholding of VAT refunds, for which established standard operating procedures (SOPs) were already in place at the time of the audit by the National Audit Office (NAO). Consequently, the administration does not interfere in the calculation of interest, a practice that provides an important safeguard for the rights and interests of the taxpayers.	
	MTCA indicated that VAT credit claims are being automatically risk-assessed through the embedded Statistical Analysis Rules System (SAS), ensuring that only high-risk cases are flagged for further review. These cases are subsequently reviewed by the Triage Committee, with only a limited number of VAT refunds being withheld every month, specifically those assessed as presenting the highest risk.	
	Workflow tracking and escalation mechanisms are also embedded within SAS's Case Flow Management System. This allows for real-time monitoring of the credit control cases being verified by Revenue Inspectors, thus ensuring that delays are reduced.	

Recommendations	Action taken/justification	Status
Furthermore, Management is to ensure that staff receive adequate training to promote consistent and correct application of the legal provisions linked to the interest payments on refunds. **Not accepted**	The calculation of interest is performed automatically by the VAT99 system, without any manual intervention by staff. This automated process serves as a safeguard for taxpayers, ensuring accuracy and consistency. Consequently, no additional staff training requirements arise in relation to interest calculation.	
System deficiencies and manual processing constraints Until a new automated system is implemented, it is recommended that MTCA establishes temporary measures to enable at least manual cross-period offsetting of credit and debit balances, and to monitor refunds pending beyond statutory or internal deadlines. **Accepted**	MTCA has implemented a procedure whereby the Tax Operations Department prepares a comprehensive report detailing all pending VAT refund cases, categorised according to their respective status. The Verification and Audit Department subsequently reviews this information and undertakes the necessary actions to monitor the progress of cases in which refunds have been withheld for verification purposes. This process is carried out on a quarterly basis.	
	The above procedure is incorporated into an SOP, which has been disseminated to the relevant officers within the Tax Operations Department and the Verification and Audit Department.	
	The new ITCAS will incorporate enhanced automatic functionality to cross-period offsetting of credit and debit balances.	 Dec-2028
Data-sharing mechanisms between MTCA and TM are to be strengthened to support real-time reconciliation. **Accepted**	A decision has been taken to normalise the relevant VAT accounts, and all pending refunds have accordingly been issued to Transport Malta (TM).	
	Furthermore, to resolve this matter on a permanent basis and eliminate the need for reconciliations with TM data, it was decided to discontinue the existing policy and require vehicle importers to revert to the classical system, whereby they declare and remit the VAT due through their returns.	
	The updated internal policy has been communicated to the relevant staff members.	

Recommendations	Action taken/justification	Status
It is also recommended that Management establishes a structured escalation process for system-related delays, ensuring clear accountability and proper documentation. **Accepted**	The MTCA established a formal Risk Escalation Plan, embedded within its enterprise-wide Risk Management Policy. This process applies to all categories of risk, including IT system failures, delays, data-related issues, interfaces, automations, and system deficiencies. The policy is subject to an annual review to ensure its continued relevance and effectiveness.	
Delays in processing VAT refunds As far as possible refunds are to be issued within the period prescribed by law, to avoid the payment of interest, unless there are valid reasons for the delay. **Accepted**	MTCA introduced an automatic risk assessment procedure of all VAT credit claims using embedded SAS risk-rules.	
	This mechanism ensures that only high-risk cases are subjected to review by the Triage Committee, thereby enhancing overall efficiency. It is fully applied to all VAT returns in credit received from January 2025 onwards. The procedure is carried out on a monthly basis, and a record of all selected cases is maintained to ensure a complete and traceable audit trail.	
	The highest-risk VAT refund claims are being withheld and not released until an Aspect Audit is conducted. This process ensures that any withholding of refunds is proportionate and based on objective, data-driven criteria, thereby mitigating the risk of incurring interest.	

Recommendations	Action taken/justification	Status
Management is to introduce workflow tracking and escalation mechanisms to flag refunds approaching the established timeframes. Credit control exercises for prior periods are to be managed in a manner that does not automatically delay the processing of subsequent refunds unnecessarily. **Accepted**	MTCA has indicated that, due to current legacy system constraints, the VAT Core System does not support the required functionality. Consequently, the monitoring of the full life-cycle of VAT Refund Aspect Audits is being carried out through the SAS Workflow System to ensure continued oversight and procedural consistency.	
	The SAS Workflow System serves as MTCA's centralised case-management and audit-workflow platform, developed within SAS Visual Investigator. It standardises and automates the full lifecycle of tax audits, including refund-control audits, encompassing all stages from risk scoring and case creation to fieldwork, the three audit phases, and ultimately case closure. This system has replaced previously fragmented manual processes and now consolidates all audit activities within a single, structured, traceable, and controlled environment.	
	In addition, a series of management reports generated through SAS enables senior management to effectively oversee the work undertaken by the Tax Audit function. These reports provide detailed information on the status of each case by audit stage, including the dates on which each stage was completed and the stage at which any case is currently pending.	
	MTCA will be replacing its legacy IT Systems through the implementation of the ITCAS, following which the NAO's recommendation will be fully addressed.	 Dec-2028
Furthermore, MTCA is to periodically monitor and analyse interest paid on delayed refunds to identify and address any systemic inefficiencies. **Not accepted**	MTCA is required to direct its efforts and resources toward the identification and management of higher-value risks as a matter of priority. The Interest incurred on delayed refunds has a minimal financial impact. In fact in 2024 approximately 0.7% of total refunds issued (€519.6M in VAT refunds and paid only €3.8M in interest). Since the said interest costs have a minimal material impact, dedicating staff time and analytical resources to the periodic monitoring of the said interest would potentially have an adverse cost benefit impact. Since the said staff would have to forego working on Audit Cases thereby increasing the duration of withheld refunds that would in turn increase the amount of interest paid.	

Control issues

Recommendations	Action taken/justification	Status
Lack of clear guidance on interest payable for refunds withheld for administrative reasons MTCA is urged to establish formal guidelines for handling refunds affected by garnishee orders or any other similar administrative constraints, including the requirement to deposit the withheld amount in court, where applicable, rather than retaining it until the garnishee order is released. **Accepted**	Formal guidelines and processes have been implemented and disseminated to staff concerned.	
	Monitoring is carried out by Management of the Corporate Services and IT Department and in certain cases the Verification and Audit Department.	
All administrative actions affecting refund processing, including garnishee orders, are to be properly documented, approved, and full audit trail retained to ensure accountability and facilitate verification. **Accepted**	The procedure for depositing refunds subject to a garnishee order involves compiling the relevant cases within a digital file. For each case in which a refund is deposited in court, all supporting documentation is organised and retained in an appropriately labelled sub-folder, ensuring proper structure, clarity, and traceability.	
	In addition, a continuously updated spreadsheet containing all relevant information is maintained within the designated IT environment.	

Recommendations	Action taken/justification	Status
Inadequate controls over the timeliness of refund offsets MTCA is expected to formalise and document set-off procedures between related entities to ensure such transactions are processed promptly, thus avoiding interest on late payment and any related set-offs. **Accepted**	DISCLAIMER: The recommendation to improve the timeliness of set-offs is noted and accepted. However, MTCA maintains that this process does not result in any financial cost for either MTCA or the taxpayers involved. A set-off simply involves offsetting the debit balance of one taxpayer against the credit balance of a related taxpayer, typically within the same corporate group. As the same interest rate is applied to both debit and credit positions, the corresponding interest charges effectively neutralise each other once the amounts are offset.	
	With respect to the VAT-to-VAT Set-off Standard Operating Procedure, the document was updated in September 2025 and subsequently circulated to the relevant staff members. The SOP outlines the step-by-step process to be followed when administering VAT-to-VAT account set-offs.	
These transactions are to be accurately recorded and supported by adequate documentation, to demonstrate transparency and compliance with established policies. **Accepted**	The process of a set-off has been amended to include the requirement of the following documentation: • A set-off letter listing companies, amounts, and tax periods involved. • If directors differ, signatures from all company directors are required. • An organogram or flowchart showing ownership structure and shareholding percentages. • Copies of submitted VAT returns (electronically filed) for all involved entities.	
	For purposes of proper record keeping, both electronic and physical documentation are maintained. Following electronic submissions, all supporting documents and correspondence are systematically printed and organised. Each set-off request is filed under the respective entity, ensuring that all documentation remains clearly segregated and readily accessible. Over time, these files collectively form a comprehensive record of all set-off requests for the relevant calendar quarter.	

General comment

NAO acknowledges the cooperation extended by MTCA's officials during this audit.

FOLLOW-UP ON PENDING ACTIONS

2024 GA PUBLICATION

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Office of the Commissioner for Revenue: Income Tax Enforcement - Revenue			
Inadequate information technology systems The Ministry for Finance (MFIN) has embarked on a comprehensive reform programme to modernise the Malta Tax and Customs Administration (MTCA).	On target The adjudication of IT system is estimated to be concluded by November 2025.	Dec-2028 Nov-2025	**On target** **Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier.
The adjudication process is in progress and it is anticipated that the tender will be awarded by the end of the current year.	Not yet implemented	Nov-2025	**Implemented in December 2025**
Following the supply of the system, MTCA will coordinate the necessary training on the IT system to the staff concerned.	Not yet implemented Training will be offered promptly once the system becomes available.	N/A	N/A
The new IT system will be data-driven and will eliminate most of the present manual interventions that are being carried out due to the current legacy systems in place.	On target The adjudication of IT system is estimated to be concluded by November 2025.	Dec-2028 Nov-2025	**On target** **Implemented in December 2025**

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Lack of timely enforcement action The role of the working group is to review and propose new legislation or changes to the existing legislation. The first consolidated draft of the recommendations brought forward by the working group will then be referred to the appropriate authorities for consideration and approval or otherwise.	Not yet implemented The consolidated revenue act is still being drafted.	Dec-2025	**In progress** MTCA has roped in the International Monetary Fund (IMF) to assist with this endeavour. IMF reviewed the present draft and provided its feedback in May 2026. Further communication with the IMF took place in May and in June 2026 and further drafting took place which in turn was then reviewed by the IMF. It is planned that the draft of the Consolidated Revenue Management Act will be finalised by end of 2026. Following that, there will be policy consideration at ministerial level for eventual publication of the relevant Bill and the enactment through Parliament. Estimated date of implementation is Q3 2027.
Defaulters not flagged The Integrated Tax Administration System will automatically address the functionality of identifying defaulting taxpayers. The recommended function will be incorporated in the new taxation system.	On target The adjudication of IT system is estimated to be concluded by November 2025.	Dec-2028 Nov-2025	**On target** **Implemented in December 2025.**

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Office of the Commissioner for Revenue: VAT Enforcement - Revenue			
The office of the Commissioner for Revenue (CfR) acknowledges that the legacy systems currently in use need to be replaced. In this regard, following an internal consultation and also through the advice of the International Monetary Fund, the CfR launched its three-year strategy Delivering Transformation, Strategic Plan 2023 – 2025: A new strategy for Malta Tax and Customs Administration (MTCA), on 9 May 2023, committing itself to modernise its organisational design structure and its legacy systems by investing in robotic process automation, that includes a case management system, the procurement of a new integrated tax information system and the procurement of an integrated artificial intelligence single platform. This transformational programme is to bring about a change through the use of digitisation by providing a better service to the public, enhancing voluntary compliance and enforcement, and addressing tax avoidance and evasion through a compliance risk management approach.	The adjudication of IT system is estimated to be concluded by November 2025	Nov-2025 (re adjudication of system) Dec-2028 (for the system in general)	**Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier. **On target**

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Unrealistic gross arrears and amounts estimated as not collectable The Ministry for Finance (MFIN) has embarked on a comprehensive reform programme to modernise the MTCA. To this effect, MTCA has issued a call for tenders to procure an off-the-shelf Integrated Tax Administration System, which will address all requirements and provide support to all MTCA sections. The new IT system will have cutting-edge technology and inbuilt compliance functionalities.	The adjudication of IT system is estimated to be concluded by November 2025	Nov-2025 (re adjudication of system) Dec-2028 (for the system in general)	**Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier. **On target**
Report for recent payments not available MTCA is foreseeing that the new automated system will include the functionality to generate a report which will determine the last date of payment, which feature is currently missing from the VAT 99 system.	The adjudication of IT system is estimated to be concluded by November 2025	Nov-2025 (re adjudication of system) Dec-2028 (for the system in general)	**Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier. **On target**

2022 GA PUBLICATION

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Customs – Revenue			
No internal audit within the department The Customs Department will be setting up a new Internal Audit Board (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.	In progress Discussions and preparations are underway to set up an Internal Audit Function for the MTCA that will cover both Tax and Customs.	Q1 2026	**In progress** In February 2026, MTCA initiated the process to establish an independent Internal Audit Function to serve all divisions, led by the newly-appointed Director who will be supported by two qualified accountants once recruitment concludes. The Directorate reports to the Director General for Strategy and Innovation until the Board of Governance is constituted. Together, the Director and Director General are developing the Directorate's governance framework, procedures and standards. MTCA is actively engaging with another local public authority to draw on its experience and identify best practices for the implementation of international standards within the local context. Discussions are currently underway regarding the adoption of IT software within the Internal Audit Directorate. Upon the establishment of the framework and the completion of the recruitment process, training will be provided to the newly appointed recruits. Revised implementation date is Q2 2027

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
The IAB will carry out periodic internal risk assessments of the various operational procedures practised in the sections and units within the Customs Department.	In progress Discussions and preparations are underway to set up an Internal Audit Function for the MTCA that will cover both Tax and Customs.	Q1 2026	**In progress** The Internal Audit Directorate is currently developing the Internal Audit Mandate and Governance Framework, which will be applicable across all MTCA divisions, including Customs. This initiative establishes the Directorate's necessary foundation to deliver independent assurance regarding the effectiveness of corporate governance, risk management, and internal control systems. Furthermore, the Directorate will be in a position to evaluate regulatory compliance, data and information reliability, operational efficiency, asset safeguarding protocols, and risk management strategies throughout the MTCA including Customs. Revised implementation date is Q2 2027
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.	In progress Discussions and preparations are underway to set up an Internal Audit Function for the MTCA that will cover both Tax and Customs.	Q1 2026	**Not yet implemented** Upon the successful completion of recruitment and training, the Directorate will carry out a review of all Standard Operating Procedures (SOPs) under the MTCA. Revised implementation date is Q2 2027

2021 GA PUBLICATION

Pending actions reported in GA Report 2021	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Commissioner for Revenue – Collection of Class Two Social Security Contributions			
No enforcement 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.	On target	Nov-2025 (for the adjudication of the IT system)	**Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier.
No enforcement action to collect outstanding Class Two SSC 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.		Dec-2028 (for the project as a whole)	**On target**

Pending actions reported in GA Report 2021	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Duty on documents – Revenue			
Arrears of revenue Discussions are being held with the office of the Commissioner for Revenue (CfR) to embed risk management procedures in the department.	On target	Nov-2025 (for the adjudication of the IT system)	**Implemented in December 2025** IT system adjudication was finalised in December 2025. A project plan for the whole implementation is being devised and agreed to with the supplier.
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.		Dec-2028 (for the whole project)	**On target**

MINISTRY FOR

EDUCATION, SPORT, YOUTH, RESEARCH AND INNOVATION

MEYR

SECURITY SERVICES IN ALL STATE SCHOOLS – EXPENDITURE

The core functions of the Ministry for Education, Sport, Youth, Research and Innovation (MEYR) include, amongst others, the provision of an education system which provides every young person with the lifelong skills, values and self-reliance to be independent. In addition, it needs to ensure equal opportunities of quality education to everyone.

The main scope of the audit was to ascertain that public funds expensed from the foregoing line item were utilised for their intended purpose, and in line with prevailing Public Procurement Regulations (PPRs) and other applicable criteria. Other objectives were to obtain reasonable assurance that payments effected were accurate, duly covered by supporting documentation enabling verification, and in line with the applicable agreements.

The audit on Security Services in all State Schools at MEYR revealed control weaknesses, including deviations from stipulated contractual hours and instances where documentation was not certified prior to payment.

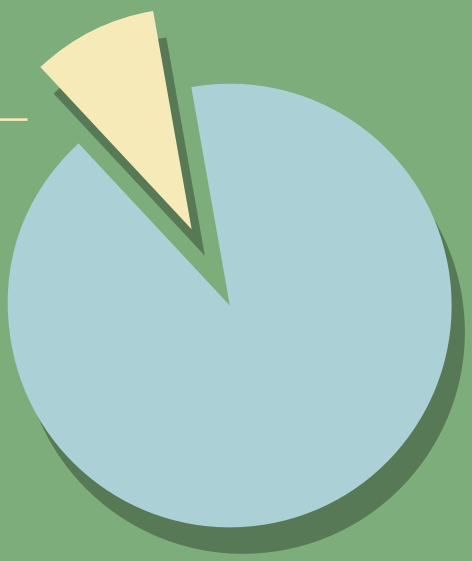
IMPROVEMENT INITIATIVES

In 2027, the Ministry will introduce a new contract for security services in all state schools to address issues identified by the NAO. Standard operating procedures (SOPs) have been introduced to regulate requests for deviations from school hours, invoice verification, and payment processing.

Schools report unreplaced absent security guards to enable the Ministry to apply contractual penalties, while a recovery plan has been established for outstanding penalties.

The Ministry also maintains an updated register of deployed security guards, including certifications and expiry dates, with automatic alerts for expiring documentation. Payments are withheld where required documentation is outstanding, and staff records have been updated to support the transition to the new contract upon its expiration.

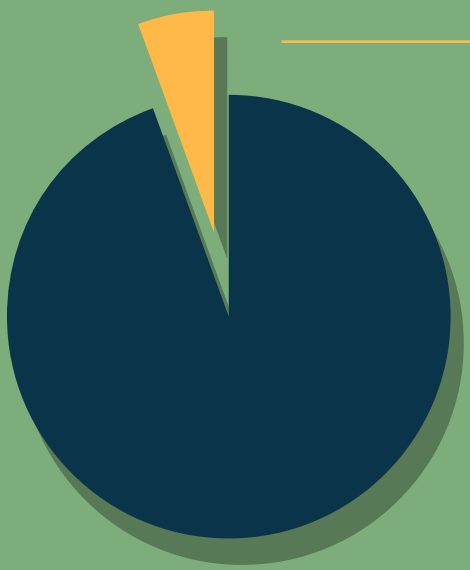
Recommendations by the NAO 11



Partially accepted 1

Accepted 10

Actions by the Ministry 18



In progress 1

Implemented 17

Control issues

Recommendations	Action taken/justification	Status
Deviation from stipulated hours Any deviations from the stipulated timetable should be formally documented and approved accordingly. Strict adherence to agreed service hours will enhance transparency and strengthen contract management practices. **Accepted**	The Ministry acknowledges that the current contract for security services across all state schools reflects an incorrect working schedule. While the actual hours during which security services are required may differ from those stipulated in the contract, the Ministry confirms that the total number of hours worked on a regular basis remains in line with the contractual allocation. Correct working hours will be formally addressed through the introduction of a new contract in 2027.	
	Correct working hours will be formally addressed through the introduction of a new contract in 2027.	Jan-2027
	The Management has implemented a new procedure whereby any deviation from normal school hours must be requested by the Head of School (HoS) via email to the Ministry for Education, Sport, Youth, Research and Innovation (MEYR) Project Leader, including a clear justification. Requests must be submitted at least one (1) week prior to the intended date and are subject to MEYR's approval. At the beginning of the scholastic year, each school provides MEYR with its operating hours to justify deviations from the working hours stipulated in the contract. This is retained by the Project Leader for an adequate audit trail.	
	This process has been formalised in a standard operating procedure (SOP) on Security Services within State Schools and Centres and circulated amongst all colleges.	

Compliance issues

Recommendations	Action taken/justification	Status
Invoices and timesheets not certified correct before payment For internal control purposes and in line with good governance, all invoices and supporting timesheets are to be certified by the respective school before the related payment is approved, to confirm that billed services were actually rendered. **Accepted**	The Management has established a procedure whereby each College is responsible for reviewing and verifying the security guards' hours worked against the amounts billed. Once verified, the documentation is then forwarded to the MEYR Project Leader for a secondary review. Following confirmation, the invoice is submitted for payment processing.	
This requirement should also be included in the applicable SOP. **Accepted**	An SOP has been drawn up wherein invoices and supporting timesheets are required to be endorsed by the respective school, whilst invoices are reviewed and approved or otherwise by the Project Leader, thus ensuring that services billed to MEYR were duly rendered.	
No penalties imposed on contractual shortcomings: Absent security guards not replaced The Ministry should ensure that the service provider strictly complies with the contractual obligations to provide immediate replacements for absent security guards. **Accepted**	A new procedure has been introduced whereby Schools/Centres are required to notify the economic operator of any absent security officer and/or failure to be provided with a replacement, copying the Project Leader in the correspondence.	
	In the event that an absent security officer is not replaced, the Project Leader shall initiate the necessary action to ensure that the applicable penalties are imposed in accordance with the provisions of the contract.	
	In respect of penalties accrued in previous years, the Ministry has established a three-stage collection plan. Penalties outstanding as at January 2026 are being recuperated on a monthly basis.	

Recommendations	Action taken/justification	Status
In addition, it is recommended that from time to time, the Education Department conducts periodic spot checks to verify compliance with the terms and conditions of the contract and SOP to ensure that service standards are being consistently met. **Partially accepted**	The responsibility for ensuring service standards are met lies with the Heads of Schools, as the Ministry cannot conduct spot checks at every school, given that 114 state schools use this service. Heads of Schools oversee the services and endorse the timesheets.	
	Compliance with the terms and conditions of the contract and the pertinent SOP is monitored through Heads of School/Centre, who are responsible for overseeing and ensuring that security services are delivered in line with contractual provisions.	
	The Ministry is invoiced by the service provider based on the timesheets endorsed by the school, which the Project Leader cross-checks to verify accuracy before approval.	
No penalties imposed on contractual shortcomings: Inadequate documentation The Ministry is expected to enforce compliance with all the clauses in the agreement. The contractor is to be obliged to submit valid Certificates of Conduct, Protection of Minors Application (POMA) Certificates and guard licences for all security guards, including those serving as replacements, prior to commencement of duties. **Accepted**	The Management continuously updates and collects all required documentation and certifications from the economic operator for every security guard providing services.	
	The Management has introduced a spreadsheet wherein all security guards deployed through the economic operator are recorded, together with their respective documentation, certifications, and associated expiry dates. This register is maintained and updated on an ongoing basis.	

Recommendations	Action taken/justification	Status
A monitoring mechanism is to be introduced by the Education Department to track expiry dates of the respective documents, ensuring these are renewed in a timely manner. **Accepted**	The spreadsheet system automatically flags documentation that is due to expire within two months, thereby prompting MEYR Management to initiate contact with the economic operator to obtain the updated documentation in accordance with the provisions of the contract.	
	The system in place ensures that all required documentation is current and valid before payments are processed, enabling MEYR to confirm compliance with contractual obligations.	
	This process is being overseen by a newly appointed employee who is responsible for maintaining documentation records and monitoring the application of any contractual penalties.	
Unless these are in place, payments are to be withheld. **Accepted**	Payments to the economic operator are withheld where up-to-date documentation is not available.	
Apart from communicating such shortcomings to the service provider, the Ministry is to apply the contractual penalties whenever contractors fail to meet their obligations. This would not only safeguard public funds but also reinforce accountability and deter future non-compliance. Penalties should be promptly deducted from amounts invoiced by the contractor, rather than deferred and recovered from the Performance Guarantee upon contract completion, as such practice will increase the risk of disputes on the amounts eventually deducted. **Accepted**	Management has established a strengthened mechanism to ensure the timely collection of penalties. As of 2026, monthly checks are carried out whereby timesheets are reconciled against invoices to verify the number of hours billed, and spreadsheets are reviewed to ensure that all required documentation is in place, enabling the identification and addressing of any shortcomings by the economic operator.	
	In the event that an absent security officer is not replaced, the Project Leader shall initiate the necessary action to ensure that the applicable penalties are imposed in accordance with the provisions of the contract.	
	Any identified shortcomings are documented along with the applicable penalties, and a credit note is subsequently requested by the Project Leader from the economic operator.	
	The monitoring and application of penalties have been formalised through a dedicated SOP, developed for internal MEYR processes to guide both the Project Leader and the supporting team.	

Recommendations	Action taken/justification	Status
Additionally, the Ministry is to establish a monitoring framework to identify breaches and ensure that corrective measures, including penalties, are applied consistently. **Accepted**	Contract operations are monitored through the spreadsheet system which tracks breaches in inadequate documentation, allowing the timely identification of issues and ensures that corrective measures, including penalties, are consistently applied to the economic operator, thus safeguarding government interests.	
The Ministry is to obtain and retain copies of Curriculum Vitae (CVs) for all staff, including those transferred from previous service providers. It should also verify that all personnel have undergone the necessary verifications and are in possession of the required competencies before being assigned security duties in state schools. **Accepted**	Prior to the expiry of the ongoing contract, the Ministry completed an exercise to collect the CVs of all security personnel providing services at State Schools from the economic operator. This will ensure that, upon commencement of the new contract, the Ministry will have up-to-date information on existing employees eligible for transfer to the newly awarded operator.	
	Once collected, the details of each security officer providing services at state schools are entered into the spreadsheet, which includes a checklist of all required competencies to ensure full compliance.	

General comment

Throughout the audit process, the auditee demonstrated a high level of cooperation and was forthcoming with the requested documentation and information. The officer involved was knowledgeable about the processes under review and provided clear explanations, which facilitated the audit procedures and contributed to the timely completion of this review.

NATIONAL SPORT SCHOOL – REVENUE AND EXPENDITURE

The Ministry for Education, Sport, Youth, Research and Innovation (MEYR) is committed to continually improve on the services it offers and to ensure that better regulation principles and procedures are applied consistently. The objective of the Ministry is to provide present and future generations with the necessary skills and talents for citizenship and employability, in the 21st century and beyond. Amongst others, the Ministry aims to ensure equal opportunities of quality education for all, as well as a wide variety of higher education and training opportunities to enable everyone to get ahead in life and develop themselves professionally.

As part of the Ministry's annual contribution, state schools receive funds on an imprest system, which amount is allocated based on the number of students enrolled in each school. This fund is designated for capital projects, repairs and maintenance, as well as materials and supplies. All income and expenditure must be recorded in the accounting system provided by the Ministry.

The main scope of this audit was to check that the funds generated by the National Sport School (NSS), together with those provided to it by Government, were being spent in line with the pertinent regulations and applicable procedures.

An audit on the NSS within MEYR revealed several control weaknesses. These mainly included lack of segregation of duties and standard operating procedures for activities organised by the school, and insufficient audit trail. Furthermore, no bank reconciliations were being performed, and the accounting system was not being updated with the respective transactions.

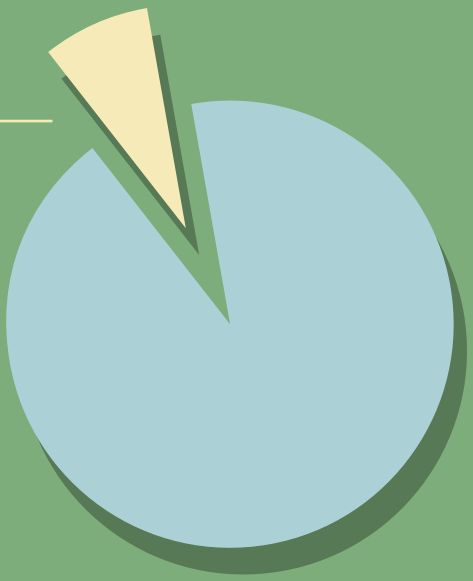
IMPROVEMENT INITIATIVES

The NSS strengthened segregation of duties by allocating cash handling, recording, approvals, and financial system input to different members of staff, within available resources. Standard Operating Procedures were developed and implemented for cash handling, procurement, training camps, canteen operations, and financial processes to standardise procedures and strengthen internal controls.

To improve the audit trail, financial transactions are recorded in spreadsheets, supported by receipts and documentation, while procurement records, School Council approvals, and third-party agreements are systematically retained. The school also introduced procedures for documenting financial approvals and expenditure.

Pending the assignment of a dedicated officer, the NSS carries out interim reconciliations between bank statements and its financial records. Once the officer is assigned, the E1 accounting system will be updated and periodic bank reconciliations will be performed.

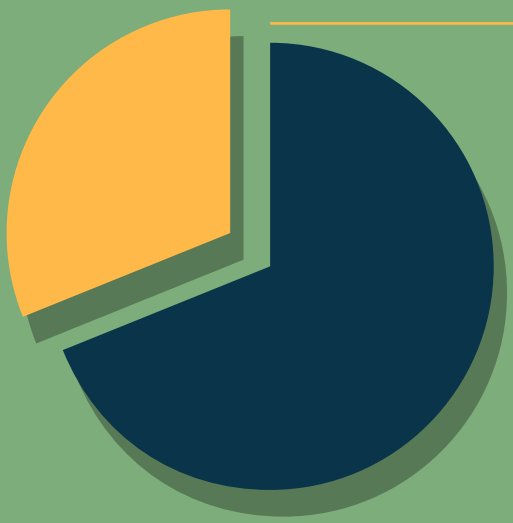
Recommendations by the NAO 26



Not accepted 2

Accepted 24

Actions by the Ministry 41



In progress 12

Implemented 29

Key issues

Recommendations	Action taken/justification	Status
Lack of segregation of duties Segregation of duties is one of the fundamental internal controls that is expected within an entity, especially where the handling of cash is concerned. Thus, National Sport School (NSS) is to immediately step up its controls to enhance transparency and minimise the possibility of errors and misreporting. **Accepted**	To strengthen segregation of duties, the school has allocated cash handling, recording, approval, and financial system input functions to different members of staff, within the limits of its available human resources.	
	Transactions from both the School College Fund and the School Fund are consistently updated in a spreadsheet retained by the School.	
	The School College Fund is checked by the Accounts Department within the Ministry of Education, Youth, Sport, Research and Innovation (MEYR) to ensure safeguarding of public funds.	
	The processes on handling of cash are outlined in a standard operating procedure (SOP) within the NSS which has been disseminated among pertinent personnel.	
Accounting system not being updated Given the available staffing levels, it is important that the school Management reallocates existing administrative resources to prioritise timely recording on the accounting system. This will help reduce the risk of data errors and ensuring proper accountability in line with the requirements of the relevant SOP. **Accepted**	Due to limited human resources, NSS has assigned some accounting duties to one of its educators.	
	The School will update the E1 accounts once an officer is assigned with the NSS to perform these duties.	Dec-2026

Recommendations	Action taken/justification	Status
Unreconciled bank accounts: Lack of bank reconciliations Unless duly reconciled, errors may remain undetected. Proper bank reconciliations are therefore essential to maintaining the integrity and accuracy of the school's financial records. Reconciliations are to be performed on a monthly basis to promptly identify and resolve any discrepancies, and the related documentation should also be retained for audit and review purposes. **Accepted**	Monthly reconciliations will be carried out once an officer is assigned with the NSS to perform these duties.	Dec-2026
	In the interim, NSS reconciles between bank statements and the spreadsheet maintained, and documents its expenditure to capture and maintain its financial data.	
The school should reconcile its two bank accounts by reviewing all year-end transactions and cross-checking them with bank statements, ensuring that any missing or incorrect entries are identified and corrected. Going forward, periodic reconciliations will help prevent discrepancies from being overlooked. **Accepted**	The School periodically reconciles its two bank accounts by cross-checking bank statements against the interim spreadsheet records maintained by NSS.	
	Upon the allocation of the required officer, the School will conduct periodic reconciliations of its bank accounts by cross-checking against the updated E1 system.	Jan-2027

Control issues

Recommendations	Action taken/justification	Status
Lack of direct bank transfer facility In an increasingly digital environment, this reliance on cash is not consistent with the trend towards cashless transactions. The Ministry needs to explore the possibility of introducing direct bank transfers for parents and clients for the necessary payments. The majority, if not all, of state schools in Malta already have a bank account and therefore the procedure for this new system would be, by far, easier to introduce. **Accepted**	Discussions are currently ongoing between MEYR, a local bank, and MySchool, with the aim of introducing a digital payment solution across all state schools.	 Jan-2028
Eventually, state schools need to update their financial policy and inform parents about acceptable practices when it comes to direct bank transfers. **Accepted**	Upon implementation of a digital payment system across all state schools, parents and guardians would be informed of the new process via a letter circular and a demo video.	 Jan-2028
	Upon implementation, the financial policy of state schools will be updated to reflect the changes made.	 Jan-2028
It is also recommended that the Ministry provides clear and standardised guidance on cash handling procedures to all state schools. This should include the records that need to be kept, the receipting of the cash receipt and the timeframe during which cash needs to be deposited in the bank. This will reduce cash handling in schools. **Accepted**	A letter circular is annually circulated by the Ministry to serve as a reminder to all state schools that the use of the cash and cheques carry services agreement is mandatory.	

Recommendations	Action taken/justification	Status
In the interim, the School Council is to discuss the possibility of making use of the Cash and Cheques Carry Services agreement for the deposit of all cash and cheque collections. This would ensure that funds are transferred and banked in a secure and controlled manner, minimising risks associated with manual handling of cash by staff. **Accepted**	As far as practicable, the NSS utilises the cash and cheques carry system, as recommended by the Department for Educational Services (DES), for the handling of payments.	
Absence of standard operating procedures for training camps The Ministry needs to provide direction on whether public funds can be used to subsidise sports initiatives, such as training camps abroad. **Accepted**	Following internal discussions, the Ministry has decided that it will sponsor 50% of authorised training camp expenses for one training camp per student per scholastic year.	
In case the Ministry decides that such initiatives can be funded through the revenue generated by the school, together with NSS, it has to develop and implement a policy and a related SOP. **Accepted**	The decisions taken by MEYR, wherein 50% of training camp expenses shall be sponsored by the Ministry have been documented in the pertinent SOP.	

Recommendations	Action taken/justification	Status
The guidelines are to clearly indicate the maximum number of training camps each student can attend in one scholastic year, as well as the maximum number of camps per discipline. **Accepted**	Guidelines have been updated through the SOP to clearly establish a maximum of one training camp per student, per discipline, per scholastic year.	
Moreover, the SOP is to establish the amount that the school can sponsor for each training camp. In special circumstances, when the school sponsors an amount in excess of what is established in the SOP, such decision should not be arbitrary but is to be based on means testing and endorsed by the School Council. **Accepted**	Following internal discussions, the Ministry has established that it will support 50% of the eligible costs, namely training camp fees, flights, and accommodation, for one training camp attended abroad by a student per discipline during a scholastic year. Any request to attend an additional training camp within the same discipline during the same scholastic year is expected to be exceptional, must be supported by a valid justification, and requires prior written approval from the Director General (DES). Where such approval is granted, the Ministry may provide support at an established reduced rate of the eligible costs.	
	The decisions taken on the financing of training camps for students have been formalised in the pertinent SOP.	
Establishing clear parameters will help ensure fairness, transparency and accountability in the planning and delivery of training camps, while safeguarding public resources. **Accepted**	In planning and delivering training camps, the NSS follows a structured process to determine staffing requirements based on student ratios, estimate costs, and set fees in line with Directorate for Education Services provisions and internal board discretion. Parents are informed of costs together with a detailed camp itinerary.	
	A Training Camps Board shall be set up for each camp, chaired by the Head of School (HoS) and including the Deputy Head, relevant Head of Department, Head Coach, Sports Manager, proposing teacher/coach, and a DES-nominated officer.	 Oct-2026
	Payments received from parents/guardians for students attending training camps are recorded, deposited, and supported by receipts, which are filed, scanned, and securely stored for an adequate audit trail.	
	All funds are cross-checked by the relevant sport coach/ educator and the HoS.	

Recommendations	Action taken/justification	Status
No records kept for canteen operations The school is expected to establish and maintain comprehensive records for all canteen-related transactions. This should include all sales, purchase invoices, and updated stock records that reconcile quantities purchased, sold, and remaining in hand. Implementing basic stocktaking procedures on a periodic basis would strengthen accountability and provide assurance that canteen operations are managed in line with sound financial practices **Accepted**	In collaboration with the Ministry, the school is currently drawing up the specifications required for its canteen needs in preparation for procuring the service through a concession agreement.	 Oct-2026
	In the interim, until the concession agreement is in place and operational, an SOP has been established to regulate canteen operations, including administration, procurement, menu planning, purchasing, financial controls, documentation, and the eventual transition to the concession agreement.	

Compliance issues

Recommendations	Action taken/justification	Status
Public Procurement Regulations not always followed NSS is expected to follow the PPR for the acquisition of goods and services. **Accepted**	The payment flagged by the National Audit Office (NAO) in relation to a sports initiative in Bahrain concerned a cohort of students selected by the Malta Olympic Committee (MOC), which organised and approved all arrangements, including the collection of quotations. The school's involvement was limited to collaboration with the MOC to fund part of the related expenses.	
	The School's procurement is conducted by an officer who ensures adherence to PPR by obtaining quotations and approvals necessary per the thresholds established by the Department of Contracts.	
	Procurement documentation, including quotations, approvals, contracts, and receipts, is systematically filed and retained by the school.	
	A School Development Programme within the NSS will be done among educators/coaches to further enhance procurement knowledge among staff.	 Mar-2027
	An SOP documenting procurement procedure to be adhered to by the school is in place.	
For the purchase of flight tickets, the school is required to follow the provisions of the abovementioned Manual on Transport and Travel Policies and Procedures and obtain at least three quotations, one of which must be from Malta's national airline. **Accepted**	In line with the Manual on Transport and Travel Policies and Procedures, the school ensures that any flights procured are selected based on a minimum of three quotations, one of which must be from Malta's national airline.	

Recommendations	Action taken/justification	Status
Registration for Value Added Tax The Ministry is to discuss with MTCA the way forward in respect of VAT registration by schools where such activities are being undertaken, to ensure compliance with VAT regulations and the proper recording of the respective amounts. Schools will eventually be required to register for VAT, and maintain proper VAT records, issue a tax invoice and charge VAT where applicable. **Accepted**	MEYR is engaged in ongoing discussions with the Malta Tax and Customs Administration (MTCA) to provide comprehensive guidance to schools on VAT regulations. Following the conclusion of these discussions, the Ministry will proceed accordingly.	Dec-2026
Approved expenditure not documented by the School Council The School Council should be in a position to administer and approve all expenditure, and this is to be clearly recorded in the meeting minutes. Details such as the amount, purpose and approval date of each expense are to be indicated. **Accepted**	At each School Council meeting, account balances and forthcoming training camps are discussed. Account balances are presented to the Council and formally approved through the signature of the Council's President.	
	Meeting minutes are retained for each meeting, documenting the amount, purpose, and approval date of all expenditure.	
	As at the scholastic year 2026/2027, the NSS School Council will be meeting on a monthly basis, and will be establishing an effective system to ensure all School Council members are regularly informed of school expenditure.	Oct-2026
Implementing a standardised format for documenting financial approvals can enhance clarity and accountability. **Accepted**	The School ensures that all financial approvals are formally documented and signed in the meeting minutes.	
	Additionally, financial approvals are recorded in a dedicated spreadsheet and subsequently entered into the E1 finance system.	
	This process is expected to be fully up to date once the necessary officer/s are assigned to the school.	Dec-2026

Recommendations	Action taken/justification	Status
Moreover, in case of extreme urgency, approval of expenditure can be sought via circulation of emails. **Accepted**	Emails shall be used as an official means of communication for informing School Council members of urgent expenditure-related matters.	Oct-2026
Periodic reviews of meeting minutes should be conducted to verify that all financial decisions are properly documented and align with school policies and financial guidelines. **Accepted**	Reviews of meeting minutes are conducted at the start of each School Council meeting.	
	Monitoring of School Council activities to ensure compliance with relevant regulations and policies is carried out by the DES through the annual Administrative Report, which is required to be submitted by all schools, including the NSS, to the DES.	
Absence of certain school council meetings It is recommended that the elections for a new School Council are held at the beginning of the scholastic year to allow the council to be active from the first term. **Not accepted**	Elections for School Council are held through a centralised system in January following the start of the scholastic year.	
Moreover, the school Management may consider that the elected parent representatives will have staggered terms for continuity and smoother transition. **Not accepted**	The School Council Regulations do not provide for the staggering of parent representatives' terms to ensure continuity. Moreover, MEYR cannot preclude interested parents from joining the school council because they have children in the same scholastic year. Consequently, the School is unable to implement such a measure under the existing regulatory framework.	

Recommendations	Action taken/justification	Status
Undated and unsigned agreements with third parties The Ministry is to ensure that all formal agreements related to the use of school premises are dated and signed by the authorised official. This will help ensure legal validity, prevent unauthorised commitments, reduce the risk of potential legal litigations, and strengthen accountability in the management of public funds **Accepted**	Signed and dated agreements with third parties concerning the use of the NSS premises are consistently in place.	
	MEYR will continue discussions with the Lands Department, building on the ongoing exercise to register rental agreements with the Department. Upon completion of this exercise, the existing SOP will be reviewed and revised as necessary.	 Dec-2026
Unavailable fiscal receipts NSS is to ensure that all suppliers who have received payments, in part or in full, for goods and services, adhere to the VAT regulations and provide a fiscal receipt. **Accepted**	NSS ensures that fiscal receipts are obtained for all expenditures. These receipts are retained in both physical and digital formats.	
Moreover, quarterly returns, highlighting those suppliers not complying with VAT regulations, are to be duly filled and submitted to MTCA, in line with the applicable regulations. **Accepted**	The School is maintaining a list of VAT defaulters in respect of all procured supplies and services, which is submitted to the MTCA on a quarterly basis in accordance with the applicable regulations.	

General comment

NAO notes that the Ministry and NSS will be taking the necessary action to address the observations identified during the audit.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Malta College of Arts, Science and Technology - Expenditure		
Services rendered under expired contracts MCAST is set to launch a digital system aimed at streamlining processes and integrating contract lifecycle management. This system will track expenses, ensure proper approval processes for financial commitments, conduct periodic budget reviews to assess spending patterns, identify potential overruns, and take corrective measures where necessary.	Jun-2026	**In progress** As of February 2026, the Microsoft Business Central licences have been purchased, the system customised and installed, initial workflows established, and the first round of testing completed. The supplier is currently implementing updates based on MCAST's feedback to address and resolve the issues identified during testing, prior to going live. Estimated date of implementation is Q4 2026
Contract value exceeded To address the issue highlighted by the NAO during its audit, MCAST is currently in the process of issuing a new tender for the provision of security services.	Dec-2025	**In progress** The tender for the provision of security services at MCAST is currently in its final drafting stages following guidelines issued by the DoC. In the interim, DoC has approved the use of a negotiated procedure with the current service providers for the 2026-2027 scholastic year to ensure continuity of service until the new tendering process is concluded. Estimated date of implementation is September 2027.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Malta School of Music – Expenditure		
Recommendations put forward by the board This process will also be regulated by a standard template designed to ensure accountability, transparency, and the maintenance of a full audit trail.	Dec-2025	**Implemented as planned**
Following the creation and dissemination of an action plan on good governance, the Malta School of Music will develop a SOP based on the plan issued to all Mikiel Anton Vassalli College schools. The SOP will define the internal processes to be followed, regulating work undertaken by teachers and part-time educators beyond their stipulated hours. It will also apply the general guidelines to the specific context of the Malta School of Music.	Dec-2025	**Implemented as planned**
This SOP shall further govern activities undertaken beyond the official working hours of educators. Parameters relating to such after-hours work are yet to be established.	Dec-2025	**Implemented as planned**
The school is currently in the process of updating its Internal Quality Assurance (IQA) Document to align and adopt to the school's context.	Apr-2026	**Not yet implemented** The IQA Document shall be updated following an accreditation visit from the Malta Further & Higher Education Authority. Expected date of implementation Q2 2027.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
The Malta Further and Higher Education Authority conducts external quality assurance audits to assess programme quality and institutional compliance as part of its licensing process. This audit will be carried out in line with the College license renewal process.	Apr-2026	**Implemented in May 2026**
The Directorate for Quality and Standards in Education (DQSE) shall engage in a monitoring exercise on non-compulsory education, conducting an assessment on the Malta School of Music.	Sep-2026	**Not yet implemented** The monitoring exercise conducted by the DQSE is expected to commence in September 2026 and to be finalised by end of scholastic year 2026/2027. Expected date of implementation Q3 2027.

2023 GA PUBLICATION

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
School Transport – Expenditure			
Errors resulting in overpayments Once the second report is reviewed, MEYR will start holding meetings with the service providers to recoup overpayments.	Not yet implemented A meeting shall take place with MEYR Senior Management to determine the appropriate course of action regarding service providers who have refused to settle overpayments. Following this meeting, the Ministry will initiate contact with the concerned service providers in an effort to recover the outstanding amounts.	Dec-2025	**Not yet implemented** Discussions on the necessary course of action are still ongoing with stakeholders.
MEYR is evaluating several options to find the most feasible solution that will identify any possible overpayments done to those service providers who were not tested by NAO to be able to recoup them.	Not yet implemented An audit for all non-State service providers not sampled by NAO was concluded. A meeting will be held with MEYR Senior Management to determine the appropriate course of action regarding these service providers who have received overpayments. Following this, the Ministry will contact the service providers concerned in an effort to recover the outstanding amounts.	Dec-2025	**Not yet implemented** Discussions on the necessary course of action are still ongoing with stakeholders.

Pending actions reported in GA Report 2023	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Lack of adequate monitoring on school transport A full programme of spot checks shall be in full force once the new recruits within the Compliance Unit are engaged. They will perform a continuous programme of spot checks throughout the scholastic year.	To be implemented through a different course of action New contracts with service providers include a requirement for the installation of a Vehicle Tracking System (VTS), enabling the Ministry to carry out regular desk-based checks to monitor service delivery.	Oct-2026	**In progress** The new contracts with service providers include the requirement for a VTS. On a risk-based basis, the School Transport Unit will request the standardised tracking report from operators (state and non-state schools) to facilitate desk-based checks and monitor service delivery. Estimated date of implementation Q4 2026.
Once the new recruits are in place, each school will be undergoing at least one spot check. In addition, follow-up spot checks will be performed as and when required.	To be implemented through a different course of action New contracts with service providers include a requirement for the installation of a VTS, enabling the Ministry to carry out regular desk-based checks to monitor service delivery.	Oct-2026	

Pending action reported in GA Report 2021	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Foundation for Tomorrow's Schools – Capital expenditure			
Shortage of staff Once and as approved, additional architects, project managers and quantity surveyors will be engaged accordingly.	Not yet implemented Foundation for Tomorrow School (FTS) has not obtained the necessary approvals to recruit additional personnel.	N/A	**Implemented through a different course of action** Since approval for new head count never materialised, FTS restructured its procurement strategy by transitioning to Design & Build Tenders encompassing full turnkey delivery. Under this revised framework, contractors are required to appoint and engage the Architect in charge for each project as part of their contractual obligations. Based on the current operating model and workload, this structural adjustment effectively removes the need for FTS to recruit additional architectural personnel while maintaining project delivery standards.

Pending action reported in GA Report 2021	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Malta College of Arts, Science and Technology – Personal emoluments			
Payment of information technology related allowance not duly substantiated MCAST will raise the issue for consensus in the upcoming collective agreement.	In progress Discussions are still ongoing with stakeholders concerned	N/A	**Not yet implemented** Discussions are still ongoing with stakeholders concerned.

MINISTRY FOR

JUSTICE AND THE REFORM OF THE CONSTRUCTION SECTOR

FOLLOW-UP ON PENDING ACTIONS

2022 GA Publication

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Energy Performance Certificates – Revenue			
Limitations on scope of audit After conducting a preliminary market consultation to determine the type of software that most suited the needs of the Building and Construction Authority (BCA), a call for tenders will be published for the procurement of an information technology system to automate and facilitate the issuance of the EPC.	In progress BCA has selected the software that it requires, and it will be split into two components. The tender for negotiated procedure was sent for MFIN's approval.	Q4 2026	**In progress** After a review from a technical and procurement perspective, it was decided that one system should be procured. The tender specifications are being revised to incorporate the EPC software and its infrastructure into one comprehensive system. This requires further evaluation from BCA's IT department and procurement section prior to move on to Sectoral Procurement Directorate (SPD). Expected date of implementation is Q4 2027

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Weak control environment 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.	In progress BCA clearance to commence construction works will not be issued without an Energy Performance Certificate (EPC). System changes have been implemented to support this requirement.	Oct-2025	**In progress** Expected date of implementation is Q2 2027
A call for tenders for the procurement of an Enterprise Resource Planning System (ERP) is to be issued.	In progress BCA has initiated a negotiated procedure for the procurement of an ERP system. In the interim, specifications have been requested from each relevant section. An auditing firm has been engaged to support the development of specifications and system requirements for this ERP system. The work of the auditing firm should be finalised by Q4 2025.	Q4 2026	**In progress** Specifications are still being requested from each section due to an ongoing business process reengineering. An action plan will be drawn up to address processes that need to be reengineered. Once this is finalised, business specifications will be drawn up for the ERP. Expected date of implementation is Q2 2027

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
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.	In progress BCA has initiated a negotiated procedure for the procurement of an ERP system. In the interim, specifications have been requested from each relevant section. An auditing firm has been engaged to support the development of specifications and system requirements for this ERP system. The work of the auditing firm should be finalised by Q4 2025.	Q4 2026	**In progress** Expected date of implementation is Q1 2028
Lack of audit trail 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 UM.	In progress BCA has selected the software that it requires, and it will be split into two components. The tender for negotiated procedure was sent for MFIN's approval.	Q4 2026	**In progress** After a review from a technical and procurement perspective, it was decided that one system should be procured. The tender specifications are being revised to incorporate the EPC software and its infrastructure into one comprehensive system. Expected date of implementation is Q4 2027

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
A call for tenders is to be issued for the procurement of a Building Passport Information Repository.	In progress Once the ERP is finalised, work will start to procure the building passport information repository.	Q4 2026	**In progress** The regulatory framework is being prepared and once the ERP is finalised, the Repository will be built in. Expected date of implementation is Q1 2028
Issues with the submission of notification letters 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.	To be implemented through a different course of action Since the MoU with PA was not signed, BCA decided that clearance to commence construction works will not be issued without an Energy Performance Certificate (EPC).	Oct-2025	**In progress** BCA is working to reach an agreement ensuring that clearance to commence works is not issued without an EPC, while also seeking to secure the necessary human resources. Expected date of implementation is Q2 2027
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.	In progress BCA has initiated a negotiated procedure for the procurement of an ERP system. This ERP system will provide an audit trail.	Q4 2026	**In progress** The ERP system will ensure traceability of all actions taken throughout the EPC lifecycle. Expected date of implementation is Q1 2028

Pending actions reported in GA Report 2022	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
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.	In progress The automated reminders will be introduced when the ERP system is in place.	Q4 2026	**In progress** The automated reminders will be introduced when the ERP system is in place. Expected date of implementation is by Q1 2028
No penalties for lack of compliance 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.	In progress Once the ERP system is in place, BCA will start issuing penalties for lack of compliance.	Q4 2026	**In progress** The BCA will commence issuing penalties for lack of compliance once the ERP system is in place. Expected date is expected to be implemented in Q2 2028
No segregation of duties 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.	In progress Segregation of duties will be incorporated in the ERP.	Q4 2026	**In progress** The segregation of duties will be incorporated in the ERP. Expected date of implementation is Q2 2028

MINISTRY FOR

HEALTH AND ACTIVE AGEING

MHA

(ACTIVE AGEING)

WELFARE COMMITTEE – EXPENDITURE

The Welfare Committee was set up in terms of Article 130 of the Social Security Act (Cap. 318). Its functions are to administer funds entrusted to it by the Government of Malta for the benefit of elderly residents in various state-owned homes, as well as recipients of homecare and home-help services. It is also to advise the Minister on any related matters referred to it. The Committee is to consist of a Chairperson and not less than eight other members appointed by the Minister.

The scope of this audit was to verify the validity of expenses incurred by the Welfare Committee during 2024 and to ascertain that procedures adopted for the procurement of goods and services were in compliance with the Public Procurement Regulations (PPR).

The audit revealed that the Welfare Committee operated in a weak control environment. Significant shortcomings were identified in the procurement processes, including non-compliance with standing regulations, insufficient monitoring of expenditure incurred, and deficiencies in payment verification procedures.

IMPROVEMENT INITIATIVES

The Welfare Committee has undertaken a range of corrective measures to strengthen governance, procurement practices, and financial controls in response to the shortcomings identified by the National Audit Office. Procurement processes have been regularised through the use of Requests for Quotations (RFQs) in accordance with the PPR, pending the issuance of formal tenders for transport services and other requirements. In addition, a part-time officer with procurement expertise has been engaged to enhance oversight and ensure compliance with applicable regulations.

Significant improvements have been introduced in the areas of invoice verification and payment controls. Enhanced segregation of duties has been established through a structured approval process requiring invoices to be reviewed and certified by both the Welfare Committee Administrator and the Chairperson before payment is processed by the Director Corporate Services. Verification procedures have also been strengthened through systematic reconciliation of transport records, supporting documentation, delivery notes, contractual rates, and invoices.

The Welfare Committee has further reinforced procurement and contract management through the introduction of SOPs, formal documentation requirements, and strengthened audit trail arrangements. Performance guarantees have been regularised, and a monitoring calendar has been implemented to ensure timely renewal of bank guarantees and ongoing compliance.

Additional measures include improved controls over the procurement and distribution of gifts, supported by independent verification against official occupancy data supplied by Old Persons Standards Authority. Furthermore, the leasing of vehicles was terminated with effect from 1 January 2026 following the acquisition of vehicles by Active Ageing and Community Care and Saint Vincent de Paul Residence. The Welfare Committee remains committed to ensuring that any future procurement or leasing arrangements fully comply with the PPR, supported by established procedures and strengthened governance frameworks.

Recommendations by the NAO 13



Accepted 13

Actions by the Ministry 22



In progress 3

Implemented 19

Key issues

Recommendations	Action taken/justification	Status
Weak internal controls The Welfare Committee is urged to strengthen its internal controls on the procurement processes, ensuring adherence to PPR. Tendering procedures are to be initiated well before the respective contracts expire. In exceptional circumstances where extending a contract with the incumbent supplier is inevitable to ensure the continued supply of essential products, approval from the competent authority is to be invariably obtained before the current agreement expires. An addendum is then to be signed to cover this extended period. As far as possible, this measure should be for a short period of time until the award of the new agreement is finalised. **Accepted**	The majority of the budget for incontinence items previously managed by the Welfare Committee were reallocated to the respective entities, namely Saint Vincent de Paul Residence (SVPR) and Active Ageing and Community Care (AACC), following the direction and approval of the Permanent Secretary.	✓
	The remaining portion of the budget allocated to the Welfare Committee for incontinence items is currently being utilised to support the requirements of Gozo General Hospital (GGH), Casa Maria, and Mount Carmel Hospital. Responsibility for the procurement of these items is now vested exclusively in these institutions (with GGH operating under the Welfare Committee until its tender is awarded). For the time being, and until a formal tender is issued, procurement is being undertaken through a request-for-quotations (RFQ) process in accordance with the Public Procurement Regulations (PPR). The RFQ process remains subject to the necessary internal approvals and financial clearance by the competent authorities to ensure continuity of supply and compliance with procurement procedures.	✓
	In view that estimated expenditure will be of circa Euro 265k, the Welfare Committee, with the assistance of the Central Procurement and Supplies Unit (CPSU), is in the process of publishing a tender for the procurement of incontinence items (pull-ups) to ensure full compliance with the PPR.	Dec-2026
The Welfare Committee is urged to strengthen its internal controls on the procurement processes, ensuring adherence to PPR. **Accepted**	For the time being, and until a formal tender is issued, the procurement of transport services is being carried out through an RFQ process in accordance with the provisions of the PPR. The RFQ process is subject to the necessary internal approvals and financial clearance by the competent authorities to ensure continuity of service and compliance with procurement procedures.	✓
	In the meantime, and in view that the estimated expenditure will be of Euro 23k, the Welfare Committee is in the process of publishing a tender for the procurement of transport services to ensure full compliance with procurement regulations.	Dec-2026

Recommendations	Action taken/justification	Status
Furthermore, after ensuring that the procurement of leased vehicles is carried out according to PPR, an agreement is to be entered into, clearly outlining the terms of service, applicable rates and duration. Any informal arrangements that are in place are expected to be immediately regularised. **Accepted**	With effect from 1 January 2026, SVPR and AACC started leasing their own vehicles. Consequently, the Welfare Committee has terminated the lease of vehicles, and no leased vehicles are currently in use. Accordingly, no further action is required in relation to the shortcomings identified by the NAO.	
	In the event of similar arrangements in the future, full compliance with the PPR and any other applicable regulations will be observed. Furthermore, such requirements are incorporated within a Procurement and Contract Management SOP, to be retained in the Welfare Committee's policies and procedures repository folder. This will ensure that the Welfare Committee will have in place appropriate guidance which, going forward, is to be consistently and uniformly applied.	
The Welfare Committee is also to ensure that the necessary performance guarantees are up to date and cover the duration of the contract, to mitigate financial risk in the event that a supplier fails to meet its obligations. **Accepted**	The performance guarantees relating to the two tenders in question have now been duly established. In addition, the Welfare Committee has undertaken checks and is ensuring that all other contracts are duly secured by bank guarantees, as applicable.	
	In addition to the above, the Welfare Committee is utilising a monitoring calendar system, whereby the responsible officer will be alerted in advance of the expiry of any bank guarantees. This enables timely follow-up and ensures their renewal, continuous validity, and full compliance.	
The Welfare Committee is urged to strengthen its internal controls on the procurement processes, ensuring adherence to PPR. **Accepted**	Regarding unverifiable transport service rates for 2024, the Welfare Committee implemented measures to ensure that all rates and charges are formally documented, approved, and retained on file for audit purposes. Additional internal controls, including segregation of duties, were also introduced whereby all invoices are verified and signed by two authorised officers prior to payment approval, thereby strengthening oversight and accountability, with the settlement of these invoices being made by the Finance Office of the Director, Corporate Services, within the Office of the Permanent Secretary.	

Recommendations	Action taken/justification	Status
Lack of centralised control Since responsibilities are shared across different locations, the Welfare Committee is to establish a clearer and structured approach regarding the ordering, confirmation of goods and services received, verification of invoices and payment processes. **Accepted**	The Welfare Committee has introduced enhanced control measures whereby the designated receiving officer/trip confirmation signatory at each home/entity is formally responsible for verifying that transport trips have been duly carried out and properly documented. A structured reconciliation process is undertaken between trip records and monthly invoices prior to certification and payment. This control framework ensures completeness, accuracy, accountability, and the maintenance of a robust audit trail.	✓
	To strengthen internal controls, the Welfare Committee has introduced procedures whereby the rates charged on the respective invoices are verified by the Welfare Committee's Administrator against the applicable rates established in the agreement. Furthermore, all invoices are now formally certified and approved for payment by both the Welfare Committee Administrator and the Chairperson prior to being processed and forwarded to Director Corporate Services (DCS) for payment. These procedures and related control measures have been incorporated into the relevant SOPs to ensure consistency, accountability, and good governance.	✓
If human resources are limited, this matter is to be discussed with the respective Ministry. **Accepted**	The Welfare Committee has contracted a part-time officer who is knowledgeable on procurement-related matters. This measure is designed to further enhance procurement oversight, ensure full compliance with the PPR, and promote greater coordination and uniformity in the procurement processes	✓

Control issues

Recommendations	Action taken/justification	Status
Rates charged not covered by agreements The Welfare Committee is to adhere to the procurement regulations when purchasing goods and services. Thus, a tender is to be issued for amounts exceeding the established threshold of €10,000. Furthermore, formal agreements are to be entered into with all suppliers, clearly outlining the chargeable rates and the applicable terms and conditions. These should eventually be referred to during the verification process to ensure that amounts charged are based on the agreed rates. The Committee is also to ascertain that, prior to payments, transport requested and trips charged are duly corroborated against supporting documentation from the respective homes and institutions. **Accepted**	The majority of the Welfare Committee's budget allocated for incontinence items has been reassigned to the respective entities (SVPR and AACC) to enhance oversight and accountability at entity level. Consequently, the management of these funds, including the associated procurement processes, now falls under the responsibility of the entities rather than the Welfare Committee.	
	The remaining portion of the budget allocated to the Welfare Committee for incontinence items is currently being utilised to support the requirements of GGH (until GGH's tender is awarded), Casa Maria, and Mount Carmel Hospital. To safeguard continuity of supply, procurement is presently being undertaken through an RFQs process, which shall remain in place until the issuance of a formal tender.	 Dec-2026
	Pending the issuance of a formal tender for transport services, and to ensure continuity of service, procurement is currently being carried out temporarily through RFQs. Nevertheless, the Welfare Committee is in the process of issuing a tender to formalise the arrangement and ensure compliance with the applicable procurement regulations.	 Oct-2026
	Controls have been introduced whereby invoice rates are verified by the Welfare Committee's Administrator against agreed contractual rates. All invoices are now reviewed, certified and approved for payment by both the Administrator and the Chairperson prior to processing and submission to the DCS for the latter to settle the relative payments, with supporting documentation retained for audit purposes. These measures further strengthen segregation of duties, accountability and governance. The relevant procedures have been incorporated into the SOPs.	
	The Welfare Committee has introduced a control requiring that, prior to payment, all transport services requested by the three entities which fall under the direct responsibility of the Welfare Committee, and trips charged are duly corroborated against supporting documentation provided by the respective homes and institutions. This verification process ensures that only authorised transport services, properly supported by the necessary evidence of the service that has been carried out, are processed for payment, thereby strengthening validation, accountability, and audit compliance.	

Recommendations	Action taken/justification	Status
Gifts distributed to residents not reconciled to actual number of residents The Welfare Committee is to centralise the process when ordering gifts. This should help improve accountability, by ensuring that the correct amounts are ordered and distributed accordingly against an updated official list of eligible residents. **Accepted**	The Welfare Committee is committed to adopting a clearer and more structured approach to the ordering of goods and services, confirmation of receipt, verification of invoices, and payment processes. In this regard a tender for the procurement of gifts has been issued.	
	To strengthen accountability within the process of ordering gifts, the Welfare Committee has implemented additional control measures to ensure that the correct quantities are ordered and distributed in accordance with updated official lists of eligible residents. In this regard, as from the distribution made for Christmas 2025, the Welfare Committee is obtaining a list of the number of licensed beds in all the homes where the gifts will be distributed. This list, which will be officially prepared by and received from the Older Persons Standard Authority (OPSA), will be used as a benchmark to verify the total licensed beds against the number of residents as provided by the respective homes, and subsequently reconciling delivery notes against the related invoices. In addition, these procedures have been formally incorporated into the revised SOP to ensure consistency, transparency, and proper governance.	
Reliance is not to be placed on informal or verbal communication with homes and institutions. **Accepted**	The Welfare Committee has issued formal instructions requiring that all communication be conducted through appropriate documentation, which is duly filed and properly maintained, ensuring a complete audit trail.	

Recommendations	Action taken/justification	Status
Discrepancies and anomalies in the electric vehicles lease agreements Once an agreement is in place, daily rates are to be charged accordingly, and invoices are not to be processed for payment if the rate differs. Moreover, the Committee is to invariably follow PPR when procuring goods and services. **Accepted**	As from 31 December 2025, all leases of vehicles were terminated and no leased vehicles are currently in use. In this respect no further action is required in relation to the identified shortcomings by the NAO.	
	The Welfare Committee will ensure that, in the event of similar lease arrangements in the future, full compliance with the Public Procurement Regulations (PPR) and other applicable procedures is strictly adhered to. In addition, such requirements have been incorporated into an SOP to ensure proper guidance and consistent application going forward.	
Vehicles not recorded in the Fleet Management System The Welfare Committee is to ensure that all vehicles are recorded in the aforementioned system, thus benefitting from all the embedded control features. **Accepted**	As from 31 December 2025, all leases of vehicles were terminated and no leased vehicles are currently in use. The Welfare Committee is committed that, should similar arrangements arise in the future, full compliance with applicable procedures, including registration with the Fleet Management System (FMS), is strictly observed. These requirements are incorporated into the Procurement and Contract Management SOPs to ensure proper guidance and consistent application going forward.	

General comment

Recommendations	Action taken/justification	Status
In a number of instances, the files provided for audit review did not hold key documentation, such as the respective contracts, lease agreements, approvals, quotations and performance guarantees. Consequently, this often necessitated the Welfare Committee to spend considerable effort and time to retrieve the necessary supporting documentation for audit purposes. Nonetheless, the Committee was cooperative throughout the audit, demonstrating openness and willingness to provide all information required for its completion. **Accepted**	The Welfare Committee issued formal instructions to ensure that all pertinent documentation is duly filed and properly maintained. In this regard, the Welfare Committee administration is undertaking a comprehensive exercise to ensure that key supporting documentation, including contracts, lease agreements, approvals, quotations, and performance guarantees, is duly compiled, organised, and appropriately filed. This measure is intended to strengthen transparency, enhance accountability, and facilitate a smooth audit engagement process, ensuring that all relevant records are readily accessible and systematically maintained for review purposes.	

RESIDENTIAL CARE IN PRIVATE HOMES – EXPENDITURE

The Active Ageing and Community Care (AACC) strives to provide holistic, client-focused policies and services, ensuring that the elderly continued to live to their fullest potential in their individual environments. This includes the provision of nursing care services, as well as access to specialised care.

To fulfil its mandate, AACC provides accommodation for elderly individuals in government-operated residences. However, due to limited capacity, agreements are made between the Government and the private sector to utilise available spaces in private residential homes.

The audit aimed to verify that the respective procurement procedures followed by AACC comply with established regulations and Standard Operating Procedures, and to ensure that the related payments align with the terms of the relevant agreements.

The audit revealed instances of lack of segregation of duties and fragmented information management.

IMPROVEMENT INITIATIVES

AACC has implemented a range of measures to strengthen financial governance, operational efficiency, and internal controls. To reinforce the Finance function, approval has been secured to issue a call for applications for the post of Assistant Director (Finance), while additional support has been provided through the appointment and training of a dedicated officer responsible for invoice verification.

A key control enhancement has been the strengthening of the segregation of duties principle through a four-eyes review process, whereby invoices undergo initial verification by the designated officer and subsequent review by the Senior Manager (Finance) prior to payment authorisation. Established standard operating procedures continue to support consistency, accountability, and compliance.

AACC has also expanded risk management efforts by broadening the remit of its Quality Assurance and Audit Unit to include structured risk identification and mitigation activities. Improvements in invoice verification have been supported through standardised worksheets, regular reconciliations, and enhanced collaboration between the Finance Department and the Bed Management Unit (BMU). The integration of the BMU and Respite Services has further improved data accuracy, coordination, and oversight.

In parallel, AACC is progressing with the Homes Portal Programme and the implementation of a SharePoint-based data management system designed to centralise information, standardise data collection, and strengthen monitoring and reporting capabilities.

Additional actions include strengthened controls over credit notes, improved contract monitoring arrangements, and proactive engagement with service providers to ensure the timely renewal and approval of contracts, thereby supporting continuity of service and sound financial management.

Recommendations by the NAO 9



Accepted 9

Actions by the Ministry 31



In progress 3

Implemented 28

Key issues

Recommendations	Action taken/justification	Status
Dependency on two employees and lack of segregation of duties in invoice verification AACC is to allocate additional personnel to assist in the invoice verification process. This would reduce the dependency on a single individual and enhance the accuracy and efficiency of the process through better segregation of duties. **Accepted**	AACC has obtained the necessary approvals to proceed with issuing a call for applications for the post of Assistant Director (Finance).	Dec-2026
	A part-time officer was appointed to support the Finance Team, with primary responsibilities focused on verifying invoices and ensuring their adherence to established financial and procurement procedures. The role also involves confirming that all supporting documentation is complete and accurate, as well as liaising with relevant team members and the Bed Management Unit (BMU) to seek clarification or address any issues that may arise.	
	The four-eyes principle is maintained through a two-stage invoice verification process. Initially, the part-time officer carries out the first level of checks to confirm accuracy and completeness. Following this, the Senior Manager (Finance) undertakes a secondary review and verification before authorising payment, providing an added layer of oversight and ensuring robust financial control.	
	The officer was provided with appropriate training to ensure familiarity with internal financial procedures, verification requirements, and the relevant control mechanisms.	
	Standard Operating Procedures (SOPs) for the Accounts Section are in place, and all personnel adhere to these documented processes, thus ensuring consistency, accountability, and full compliance with internal financial requirements.	
	AACC will enhance the existing Quality Assurance and Audit Unit by formally broadening its remit to include internal risk identification, assessment, and the development of structured mitigation plans across the organisation. As an initial area of focus, the Unit will carry out a targeted review of critical HR roles to help identify potential vulnerabilities related to workforce capacity, role dependency, and operational continuity.	Dec-2026

Recommendations	Action taken/justification	Status
Moreover, the information received from the respective homes is also to be used adequately to complement and add value to the checking process made on invoices and bed availability. In this regard, the Bed Management Unit (BMU) may also be involved in this process. **Accepted**	The information provided by the homes is submitted electronically and serves as a primary reference point in the invoice verification process. This data is cross-checked against the invoices and accompanying documentation to confirm accuracy, consistency, and compliance with approved services, service dates, and agreed terms before the invoices advance to the verification and approval stages.	
	A standard worksheet is utilised by all homes to ensure the consistency and completeness of the information provided. This information is required to be submitted electronically to the AACC by the first week of each month, in accordance with the established timeline for invoice verification and processing.	
	The BMU is responsible for maintaining up-to-date census records for all homes. These records are subsequently provided to the invoice verification officer and serve as a key reference for confirming bed occupancy, availability, and alignment with the invoices submitted. This process supports accurate, consistent, and evidence-based invoice verification.	
	SOPs for the BMU have been established and clearly define the unit's responsibilities within the process. These SOPs outline the requirements for maintaining up-to-date census records, the timelines for their submission, and the procedures for forwarding the necessary information to support invoice verification and bed-availability checks. The SOPs have been disseminated to all relevant officers.	
	The information received from the homes is then compiled and maintained within a centralised repository. This ensures that all data is retained in a structured and consistent manner, facilitates efficient access for verification and audit purposes, and supports effective oversight, traceability, and record-keeping.	

Recommendations	Action taken/justification	Status
Fragmented information management AACC is to establish a centralised and structured data management system that consolidates all relevant information in one place. This would improve accessibility, reduce the risk of errors, and streamline the verification process. **Accepted**	The newly merged unit, comprising the BMU and Respite services, is tasked with optimising bed allocation and enhancing coordination between operational functions and bed management activities. The unit functions as a single, integrated structure, sharing data and coordinating processes to ensure alignment between bed-occupancy records, home submissions, and the invoice-verification process.	
	The amalgamation of the two units has contributed to a reduction in discrepancies by improving data alignment, communication, and cross-checks between the respective functions.	
	Regular checks and reconciliations are carried out to ensure consistency between census data, home records, and invoices prior to payment processing.	
	The amalgamation and related processes have been reflected in the updated SOP entitled 'Processing Payments to Care Homes and Respite Services Operating Procedure' and were disseminated to the relevant staff.	
	AACC is progressing with the development of a centralised and structured data management system, guided by the strategic implementation plan for the Homes Portal Programme. Phase 1, which includes the establishment of the Homes Portal Programme framework, has been completed.	
	AACC is continuing its work on the development of a centralised and structured data management system, progressing through phases 2 to 5 in line with the strategic implementation plan for the Homes Portal Programme.	 Dec-2026
	Training on the Home Portal Programme is ongoing, and regular online meetings are held with users currently participating in the proof-of-concept phase. Demonstrations are provided whenever new features are introduced, ensuring a continuous and iterative development process.	

Recommendations	Action taken/justification	Status
Standardised record-keeping practices are recommended to ensure that all necessary details are consistently documented in a uniform manner. **Accepted**	The first phase of implementation focuses on establishing a SharePoint-based data management system to centralise information, standardise data capture, and support operational, monitoring, and reporting needs across AACC services. This phase has commenced and is currently in its initial stages. It prioritises critical services, particularly the referral process from homes, given its direct impact on patient care. Subsequent phases will include the development of the incident reporting module, the centralised repository, and the patient census, which will ultimately be integrated into a unified system. Progress is being tracked through defined milestones and regular management oversight to ensure timely delivery and prompt resolution of any delays.	
	The system automatically records all user activities, including data entries, modifications, approvals and deletions, together with corresponding user identification and date and time-stamps. Version histories and access logs provide full traceability of changes, while role-based permissions ensure that actions are limited to users with the appropriate responsibilities. Collectively, these controls establish a comprehensive and auditable record of all system activity.	
Limited use of available information prior to approval and payment of invoices The daily residential home movement lists received by BMU are to be integrated with the invoice vetting process to ensure a comprehensive and accurate reconciliation of billed versus actual resident occupancy. **Accepted**	The Finance Department within AACC has been given access to the daily return report used by BMU. The data shared between the Finance Department and the BMU includes daily resident movement information such as admissions, deaths, relocations, dependency levels, and periods of temporary absence. This information is shared electronically through access to the BMU daily return reports, enabling Finance to cross-reference resident occupancy and movements during the invoice verification and reconciliation process.	
	A monthly list of admissions and discharges from Mater Dei Hospital (MDH) is used as an additional independent control to confirm periods of temporary absence from residential homes, particularly where residents are admitted to hospital. This information supports accurate reconciliation of chargeable days, ensuring that absences billed at lower rates are correctly identified and applied during invoice vetting.	

Recommendations	Action taken/justification	Status
Furthermore, clear communication protocols are to be established between BMU and the Finance Department, ensuring that any patient movements are logged and accounted for before being approved for payment. In this regard, an SOP of the whole process including the necessary checks is to be prepared and adhered to. **Accepted**	AACC updated its SOPs to incorporate MDH's established processes related to patient transfers and movements.	
	Relevant staff within both the Finance Department and the BMU have been made aware of the updated procedures and their respective roles. The two units work in close coordination through shared access to daily movement reports, structured information exchange, and regular communication to ensure that patient movements are fully accounted for and verified before invoices are approved for payment.	

Control issues

Recommendations	Action taken/justification	Status
Credit note paid in error AACC is to reinforce its billing validation procedures to prevent recurrences. **Accepted**	The respective residential home issued a credit note to rectify the error and the necessary corrective accounting adjustments were processed accordingly.	
	A structured verification exercise was implemented to strengthen controls over the handling of credit notes. As part of this exercise, each residential home is required to submit an annual statement detailing all invoices and credit notes issued. The Finance Section then reconciles each statement against AACC's internal financial records to verify completeness, accuracy, and correct treatment of credit notes. Any discrepancies identified are investigated and resolved prior to finalisation.	
	The above-mentioned procedures have been outlined in an SOP entitled 'Processing Payments to Residential Care Homes', which has been disseminated to the relevant officers.	
Moreover, AACC is to conduct an exercise to check credit notes received during the year (if any) to ensure that they were not erroneously processed as an invoice instead of deducted from the amount due to the service provider. **Accepted**	AACC has introduced an exercise whereby each residential home is required to submit an annual statement outlining all invoices and credit notes issued throughout the year. The Finance Section then consolidates this information and undertakes a reconciliation process to verify each statement against the corresponding records maintained by AACC.	
	As part of the reconciliation exercise, each credit note included in the home's annual statement is verified against AACC's financial records to ensure it has been accurately recorded as a credit note rather than processed as an invoice. Any discrepancies identified during this review are investigated and rectified accordingly.	
	Management, through the Senior Finance Manager, ensures that credit notes are appropriately deducted by reconciling the annual statements submitted by each home with AACC's financial records and verifying that each credit note has been correctly applied against outstanding or future payments prior to final settlement.	

Recommendations	Action taken/justification	Status
Retroactive approvals and signatures All necessary approvals are to be obtained prior to the commencement date of the contract itself. Contracts and addenda with residential homes, are to be signed by all parties before they enter into force, in order to safeguard its contractual interests. Accepted	AACC is now initiating contract negotiations approximately twelve months prior to the contract expiry date. Thus, AACC reduces the risk of contracts lapsing without approval. This early engagement allows sufficient time to address issues, seek extensions where necessary, and ensure continuity of service while protecting AACC's contractual and financial interests.	
	The Residential Care Directorate maintains a central record of contracts that are approaching expiry. This register is used to track the status of negotiations, identify delays, and escalate matters to management where operators are not collaborating or where progress is not aligned with agreed timelines.	
	Furthermore, AACC will make every effort to ensure that all required approvals and signatures for contracts and addenda with residential homes are obtained prior to their commencement.	

General comment

Throughout the audit process, the National Audit Office positively noted that the auditee was cooperative and forthcoming with the requested documentation and information to our audit team. The officers involved were knowledgeable about the processes under review and provided clear explanations, which facilitated the audit process and contributed to the timely completion of the engagement.

FOLLOW-UP ON PENDING ACTIONS

2025 GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Waiting Lists for Medical Services (Outsourcing) – Expenditure (Health)		
Deficiencies in outsourced services: Inconsistent file referencing As part of a broader Office of the Prime Minister (OPM) initiative, a centralised digital filing system is being developed to integrate MDH's documentation processes, ensuring improved retrieval and storage security.	Dec-2026	**In progress** The Corporate Electronic Document Management System (CEDMS) is presently handling only registry files and does not cover border documentation processes that bypass the registry filing. This project is currently being managed centrally by OPM.
Deficiencies in outsourced services: Inadequate contract management A project board composed of senior management and an implementation team lead by the Chief Information Officer are collating the information required to setup specifications for the procurement of an Enterprise Resource Planning (ERP) system aimed at centralising and automating core business functions, including finance, procurement and standard operating procedures (SOPs).	Dec-2025	**Implemented as planned** The specifications have been collated from the respective business owners, and the drafting of the tender was concluded in May 2026.
Following the completion of the ERP's requirements and specifications, MHA will seek approval from MFIN for the necessary funding.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Once the approval is provided, MHA will draft the tender for this system and will submit it for Sectoral Procurement Directorate's approval.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Mater Dei Hospital – Payables and Receivables (Health)		
Dual accounting systems in place A project board composed of Senior Management and an implementation team lead by the Chief Information Officer are collating the information required to set up specifications for the procurement of an ERP system aimed at centralising and automating core business functions, including finance, procurement and standard operating procedures (SOPs).	Dec-2025	**Implemented in May 2026** The specifications have been collated from the respective business-owners and the drafting of the tender was finalised.
Following the completion of the ERP's requirements and specifications MHA will seek approval from MFIN for the necessary funding.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.
Once the approval is provided, MHA will draft the tender for this system and send it for Sectoral Procurement Directorate's approval.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.
Reconciliations between the CFMS and the other accounting system are conducted annually due to resources limitations. When qualified and suitable candidates join the Finance and Accounts Payable Directorate, MDH plans to restructure the processes so that reconciliations between the two systems will be conducted at least quarterly.	Dec-2026	**In progress** The Finance Manager who had been supporting the initiative to increase the frequency of reconciliations left the organisation and the planned replacement is expected to take up the position in September 2026. Estimated date of implementation is March 2028
Long outstanding debtors In the financial statement, a provision for doubtful debts will be included.	Dec-2025	**Implemented as planned** All the debtors are regularly being reported through appropriate channels.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
MDH is currently in discussions with the DoC regarding the publication of the tender for accountancy services.	Dec-2025	**In progress** Discussions with stakeholders are in progress. Estimated date of implementation is December 2027.
Once MDH concludes the exercise of classifying certain dues as unrecoverable, MDH will make a formal request for a write-off to MFIN.	Dec-2026	**Implemented as planned** The process is ongoing and has been formally established.
Incomplete and inaccurate accrual accounting returns MDH plans to carry out a business process re-engineering, and review current process for improvement or simplification.	Dec-2025	**In progress** MDH Finance and Accounts Payable Directorate implemented some of the business process re-engineering whereby reporting functions are now streamlined by process. Also, throughout 2025, MDH has invested in standardisation, particularly with regard to reports, to be able to accelerate and facilitate the reporting process for accrual reporting. MDH still faces particular HR challenges arising from the lack of Partly Qualified Accountants as well as the need to train future recruits. Estimated date of implementation is March 2028.
The implementation of an ERP system will streamline certain processes, thereby improving the reporting of accruals.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.
When qualified and suitable candidates join the Finance and Accounts Payable Directorate, MDH will be in a better position to ensure proper reporting of credits and accruals.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.
When qualified and suitable candidates join the Finance and Accounts Payable Directorate, MDH will be in a better position to distribute workload so that the respective amounts are duly recognised accordingly.		

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Care Services – Non-Governmental Organisations – Expenditure (Health)		
Weak internal controls A project board composed of Senior Management and an implementation team led by the Chief Information Officer are collating the information required to set up specifications for the procurement of an Enterprise Resource Planning (ERP) system aimed at centralising and automating core business functions, including finance, procurement and standard operating procedures (SOPs).	Dec-2025	**Implemented in May 2026** The specifications have been collated from the respective business owners, and the drafting of the tender was concluded.
Following the completion of the ERP system's requirements and specifications, MHA will seek approval from MFIN for the necessary funding.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.
Once the approval is provided, MHA will draft the tender for the ERP's system and send it for Sectoral Procurement Directorate's approval.		**On hold** Financial support for this IT Capital initiative is still pending. The Board is expected to reconvene to discuss a way forward. Given this development, an implementation date cannot be determined.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
A compliance checklist is being drafted and will be integrated into the current financial review and approval process to ensure that all required financial documentation is properly collected, reviewed, and verified by the responsible officer.	Mar-2026	**In progress** The compliance checklist is still being finalised to incorporate additional detail and structure, based on the specific documentation and reporting requirements set out in the Terms of Reference of the respective Public Social Partnership agreements with NGOs. The checklist will be integrated into the existing financial review and approval process to ensure that all required financial and compliance documentation is consistently collected, reviewed and verified by the responsible officers. Approval of payments will follow. Estimated date of implementation is December 2026.
Concerns over the administration of marketing campaign managed by a union This process flow, once approved internally, will be sent for MUMN's endorsement.	Mar-2026	**Implemented as planned**
The Nursing and Midwifery Services Directorate will be distributing a brief questionnaire among newly recruited nurses to gauge the effectiveness of the marketing campaign.	Jun-2026	**Implemented in April 2026** As planned, the Nursing and Midwifery Services Directorate distributed the survey during recruitment interviews.
A specific line item within Programmes and Initiatives has been proposed to cover the costs related to MUMN's marketing campaign, pending confirmation from the Budget Office.	Dec-2025	**In progress** Finance and Administration Unit has re-included a separate line item "MUMN Marketing Campaign" under Programmes & Initiatives". Request is pending Budget Office's approval for inclusion in the Financial Estimates 2027. Estimated date of implementation is January 2027.
Shortcoming in contract management: Accommodation services in the United Kingdom The accommodation services provided by the UK-based VO will be formalised through a contract to ensure adequate accountability and transparency standards.	Mar-2026	**Implemented as planned**

Pending action in GA Report 2025	Implementation date in GA Report 2025	Status
Welfare Committee – Revenue (2022) (Active ageing)		
Under the guidance of the Office of the Permanent Secretary (PS) Ministry for Health and Active Ageing (MHA) (Active Ageing), the Welfare Committee is actively developing a standard system for all entities to oversee the collection and accounting of contributions. This process will involve consultations with all relevant stakeholders.	Jul-2026	**Implemented as planned** As from 1 January 2026, the contributions due to St. Vincent de Paul and elderly homes have been taken over by the respective entities. Moreover, as from the same date i.e. 1 January 2026, the Ministry for Gozo and Planning has taken over the collection of revenue of Villa San Lawrenz, Dar San Giuseppe and Home Help Care Service. A meeting was also convened with the Chief Executive Officer and the Administration Team of the Gozo General Hospital, during which it was agreed that 31 July 2026, is the cut-off date for the transfer of responsibility for the functions and processes related to revenue collection.

2024 GA PUBLICATION

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Construction Works in Government Cemeteries and Sale of Graves or Grave Sites – Revenue and Capital Expenditure (Health)			
Departures from the terms of the concession agreement The additional addenda to the original contract is being renegotiated with the Concessionaire to mitigate identified risks and to make it financially viable.	In progress Discussions on the concession agreement are ongoing with the concessionaire	N/A	**In progress** A meeting was held on 3 February 2026, between Superintendence for Public Health (SPH) and Departmental Contracts Committee, during which the proposed addendum to the contract was presented. SPH is currently awaiting the approval and signing of the addendum before it can proceed with the implementation and processing of its provisions.
The final version of the addendum will be cleared with the DoC.	Same as above	Same as above	Same as above
Any renegotiations with the Concessionaire which are outside the parameters of the original contract are being notified to the DoC. The final version of the addendum will be cleared with the DoC.	Same as above	Same as above	Same as above

Pending actions reported in GA Report 2024	Pending actions reported in GA Report 2025	Implementation date in GA Report 2025	Status
Original award for agreed costs for the construction of graves and the restoration of cemetery facilities are not being anticipated to change.	Same as above	Same as above	Same as above
Reports in line with the terms of the concession agreement not prepared MHA will enhance the governance of the concession agreement by establishing a robust governance structure. This structure will include key stakeholders such as the Permanent Secretary (PS), the Superintendent of Public Health (SPH), the Director of Environmental Health (DEH), the Financial Controller, and the FMS, a consultant accountant along with a dedicated secretary. To ensure transparency and accountability, all meetings will be meticulously documented, with minutes recorded. Additionally, representatives from the concessionaire will be invited to participate in meetings as needed, fostering collaboration, and ensuring all relevant perspectives are considered.	Same as above	Same as above	Same as above
Inadequate insurance policies MHA will agree with the Concessionaire to make available renewable insurance cover polices on a yearly basis at the expense to the Concessionaire.	Same as above	Same as above	Same as above

Pending action reported in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Primary Health Care – Personal Emoluments (Health)			
Overpayments to doctor on job plan B MHA and IRU will discuss the personal and detailed overpayment calculations with MAM, as well as the mechanism of the recoupment process in terms of the 'Refund Policy'. If MAM agrees, MHA will embark on the exercise to recoup overpayments. If not, the matter will be referred for arbitration.	In progress Following the completion of related financial computations, MHA will shortly be engaging with the pertinent stakeholders, regarding the reimbursement of public funds overpaid to PHC doctors.	N/A	**In progress** All Primary Health Care (PHC) doctors who received overpayments were notified and requested to reimburse the excess amounts. MAM objected and a meeting was held between the Ministry, the state advocate and MAM. It was agreed that the respective PHC doctors are firstly provided with a detailed statement of overpayment. These detailed statements are in the process of being issued and sent to the respective doctors.

2022 GA PUBLICATION

Pending action in reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Foundation for Medical Services – Personal Emoluments (Health)			
Appointment of persons on trust basis FMS will be implementing an internal recruitment policy and SOP to ensure that exceptions as the one identified by the NAO do not recur.	In progress The implementation of the Labour Supply Agreement (LSA) was temporarily stalled due to various changes, including administration transitions, the FMS board restructuring, and operational issues. Given these developments, the new FMS Board felt the need to review the agreement further. A recruitment and selection policy was issued as planned. However, a new comprehensive policy and SOP will likely be introduced following the formalisation and implementation of the LSA.	Jan-2026	**In progress** The Labour Supply Agreement is currently under further consideration by the board members. Estimated date of implementation is December 2026.

Pending action in reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Health – Expenditure (Health)			
Performance guarantees not in place A new Director (Contracts) has been appointed with the responsibility to set up a centralised contracts management unit.	In progress Following the capacity building exercise, an organisational plan for the development of a contracts management function for years 2025-2027, was submitted to the People Management Division (MHA) for recruitment through public calls. Two calls for applications were approved in relation to centralised contracts management unit. One for the position of Assistant Director and the other for the position of Director. The call for Assistant Director was issued, resulting in the appointment of a suitable candidate. The call for the Director post has also been issued in July.	Jun-2026	**Not yet implemented** A new Director (Contracts) joined CPSU but resigned in July 2026. Hence an implementation date cannot be determined. However, it is being ensured that all ongoing contracts are centralised and actively monitored.

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Pharmacy of Your Choice Scheme – Expenditure (Health)			
IT system lacks pertinent data 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.	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.	N/A	**In progress** Development of the module resumed in 2025, under the new POYC administration, with the objective of ensuring full compliance with GDPR standards. The module is planned for deployment in Q1 2027. Once implemented, POYC will be compliant with GDPR and will be able to issue invoices that include batch numbers and expiry dates. Furthermore, the deployment of iSTK to community pharmacies is expected to be finalised within a four-year timeframe. Estimated date of implementation is December 2030.

2021 GA PUBLICATION

Pending action reported in GA Report 2021	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
St Vincent de Paul Residence – Personal emoluments (Active Ageing)			
Procedures of time off in lieu not formalised 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. The DAKAR system will also be updated for HR by introducing new modules and modifying existing modules to include TOIL.	In progress The modules for the new DAKAR system at St Vincent De Paul are being developed in line with the new Sectoral Agreements signed in 2024. They will now include a function to alert the human resources (HR) office of any set limits reached. Such alerts will enable the HR office to monitor efficiently and in a timely manner. In the meantime, training on the system is currently being provided to HR officers.	Jun-2026	**In progress** The modules for the Dakar System are available however the TOIL module is still under development. It has been decided that this TOIL module will be developed for the Ministry as a whole, with testing to be carried out within a specific entity. This approach will be replicated and implemented in other entities within Health. In the meantime, preparatory work is being carried out at SVP where employee data is being cleaned and then imported onto the system. A review of the system was conducted, and training has also been provided to HR officers. Furthermore, multiple rosters have been updated and are being assigned to staff within the department. Follow-up meetings are being held with DAKAR to ensure progress, while on-site meetings are being held at SVP to ensure that data is being entered correctly. Estimated date of implementation is June 2027.

MINISTRY FOR

TRANSPORT, INFRASTUCTURE AND PUBLIC WORKS

MTIP

PUBLIC SERVICE OBLIGATION – INTER-ISLAND TRANSPORTATION – EXPENDITURE

The then Ministry for Transport, Infrastructure, and Capital Projects (MTIP) was responsible for Malta's connectivity across various sectors, including the maritime and aviation industries, as well as public transportation and infrastructure development. On 6 January 2024, the Ministry was renamed as the Ministry for Transport, Infrastructure, and Public Works.

The scope for this audit was to ascertain whether the process undertaken by MTIP with respect to the verification and payment of Public Service Obligation (PSO) monthly claims in connection with Gozo Channel Transport Joint Venture (GCTJV) ferry trips were in line with the established agreements and relevant standard operating procedures (SOPs). The National Audit Office (NAO) also ensured that the payments made on the basis of the relevant addendum were calculated correctly in line with the terms therein. Checks were also conducted to verify whether the service provider was complying with other contractual requirements.

The audit on the PSO – Inter-Island Transportation revealed that there was insufficient audit trail due to lack of documentation in relation to inspections carried out on vessels pertaining to the GCTJV.

IMPROVEMENT INITIATIVES

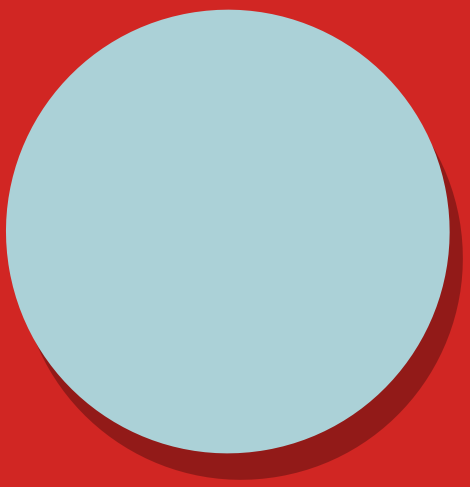
Transport Malta's (TM) Ports Commercial Directorate (PCD) has increased inspections of the Inter-Island Transportation PSO to a minimum of six inspections annually, conducted every two months. Each inspection is supported by a report and declaration letter confirming compliance or identifying non-compliance with the obligations set out in the GCTJV PSO agreement. Follow-up actions are undertaken by the PCD to ensure that any identified deficiencies are addressed promptly.

In addition, a standard concession inspection report, checklist, and SOP have been introduced to formalise the inspection process from initiation to conclusion. All inspection reports, supporting documentation, and communication with the PSO operator are retained by the PCD to ensure an adequate audit trail.

Findings requiring corrective action are addressed through long-term measures aimed at reducing recurring issues. These are coordinated with the vessel operator, Infrastructure Malta, and TM Maintenance Unit, as necessary, to ensure timely resolution and compliance.

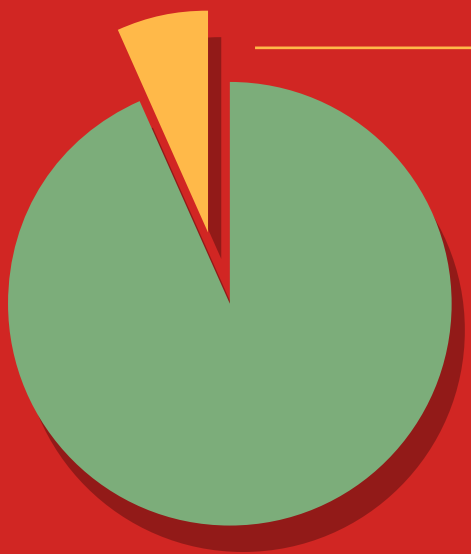
To eliminate ambiguities relating to monthly payment claims, additional clauses were included in the PSO agreement specifying payments for voyages between Malta and Gozo conducted without passengers or cargo, as well as for additional trips exceeding the two scheduled nightly round trips. These clauses were also discussed with the NAO to ensure alignment with the intended interpretation of the agreement.

Recommendations by the NAO 5



Accepted 5

Actions by the Ministry 15



In progress 1

Implemented 14

Key issues

Recommendations	Action taken/justification	Status
Vessel inspections not adequately documented TM and MTIP are to establish a formal frequency and process for documenting all inspections carried out on GCTJV vessels and port facilities. **Accepted**	Concession inspections related to port facilities and services carried out by the Authority's Ports Commercial Directorate (PCD) shall increase to a minimum of six inspections per year, conducted once every two months.	
	Following the NAO audit, the PCD has enhanced its focus on those concessions that provide a service to the public.	
	Each inspection report and declaration letter are forwarded to the PCD once the Operator's compliance with the agreement obligations is confirmed. These documents are also submitted to MTIP to support the processing of interim provisional claims by Gozo Channel (Operations) Ltd.	
	Recruitment plans shall be implemented to increase human resources dedicated to inspectorate processes, ensuring adequate capacity to conduct inspections and maintain appropriate oversight of concession operations.	Dec-2026

Recommendations	Action taken/justification	Status
Moreover, TM is also to ensure that a detailed inspection report is compiled following each inspection, clearly outlining the scope of inspection, observations, the required corrective actions (if any), the responsible parties and deadlines for follow-up. **Accepted**	Each inspection shall be followed up with the current inspection report compiled by the Inspector, endorsed by the Transport Malta Director Ports Commercial, followed by a signed and stamped declaration stating that the deficiencies (if any) found during such inspection are to be addressed and followed up with the Operator.	
	A standard concession inspection report and checklist have been formally adopted and are being used when conducting concession inspections.	
	The inspection report in place is derived from the relevant concession agreement, and includes a list of operator obligations, which are categorised into physical obligations, which are verified on-site by inspectors, and non-physical obligations, relating to documentation and administrative requirements reviewed by the PCD Office. The report shall also include a remarks section to record any shortcomings identified during inspections, as well as any observations or issues of concern that may not be explicitly covered by the concession agreement but are considered noteworthy.	
	Multiple other inspections are in place in relation to the fleet which do not emanate from the concession agreement, and are carried out by the Ports and Yachting Directorate, as well as the Merchant Shipping Directorate, in accordance with certifications and legal requirements.	
	An SOP is being developed to outline the concession inspection process from commencement to conclusion.	
A centralised system to store and manage inspection reports is also recommended to be able to facilitate retrieval of documentation and ensure appropriate follow-up. **Accepted**	All inspection reports, declarations, and related documentation shall be retained both as physical copies and electronic records within the centralised repository to ensure proper documentation and support audit requirements.	
	Any follow-up correspondence with the Operator, including letters and emails related to inspection findings or corrective actions, shall be attached to the relevant inspection report and stored within the centralised system to ensure a complete record and facilitate follow-up actions.	
	Concession agreements themselves are being stored as soft copies within the centralised system, enabling efficient monitoring and reference.	

Recommendations	Action taken/justification	Status
Trends and recurring issues are to be mentioned, to enable the continuous support of improvement initiatives. **Accepted**	Inspection findings requiring corrective action are addressed through long-term solutions, thereby minimising recurring trends.	
	Inspection findings shall be addressed and followed up with the vessel Operator, Infrastructure Malta, and TM Maintenance Unit, as deemed necessary, to ensure timely resolution and compliance.	
Ambiguities between monthly claims calculations and contractual wording A review of the current practice for preparing monthly claims is recommended, to identify all areas where calculation methods diverge from the provisions of the agreement and related addendum. This could be implemented by engaging all relevant parties to agree on the intended interpretation of the calculation methodology, formally revising the agreement and respective addendum, ensuring no room for ambiguity. **Accepted**	To eliminate any ambiguity, additional wording has been inserted in the PSO Agreement with respect to: a) voyages between Malta and Gozo carried out without passengers or cargo; and b) any additional trips exceeding the two daily round trips (Malta–Ċirkewwa–Mġarr) scheduled during night operations. These updated clauses were also discussed with the NAO to ensure clarity and alignment with the intended interpretation of the agreement.	

General comment

Throughout the audit process, the auditee demonstrated a high level of cooperation and was forthcoming with the requested documentation and information. The officers involved were knowledgeable about the processes under review and provided clear explanations, which facilitated the audit procedures and contributed to the timely completion of the engagement.

SCRAPPAGE SCHEME TO PURCHASE MOTORCYCLE – EXPENDITURE

The Scrappage Scheme to Purchase Motorcycle which fell under the remit of the then Ministry for Transport, Infrastructure and Capital Projects, was administered and implemented by Transport Malta (TM). Funds to the latter were transferred by the Ministry in tranches for the disbursement of this grant to the respective beneficiaries.

The scope of this audit was to assess whether adequate controls were in place in relation to the administration of the scheme, as well as to verify whether the applicable regulations were followed for the eligibility of the grant and payment thereof.

Apart from limitations beyond the control of TM, in verifying compliance with state aid regulations, the audit identified instances where applications continued to be processed even after the scheme had been suspended due to the budget being exhausted.

IMPROVEMENT INITIATIVES

TM implemented formal procedures to ensure timely and transparent communication when schemes are suspended or closed. Announcements are issued through TM's website and official social media channels, stakeholders are informed accordingly, and applications are taken offline on the effective closure date. Applications received after the cut-off date are not processed, and applicants are notified accordingly.

TM is also introducing an electronic application system with a budget monitoring feature to track scheme budgets and status in real time.

To strengthen compliance with State aid de minimis requirements, TM records aid granted from 2026 onwards in the central register established by the State Aid Monitoring Board (SAMB). State aid declarations must be verified by a warranted auditor or accountant, while TM obtains confirmation of aid received from relevant grantors and carries out compliance assessments before applications proceed. Relevant data is submitted annually to SAMB.

TM also collaborated with the Malta Institute of Accountants to develop guidance for auditors and accountants conducting State aid compliance checks on applications.

Recommendations by the NAO 3



Partially accepted 1

Accepted 2

Actions by the Ministry 12



In progress 2

Implemented 10

Key issue

Recommendations	Action taken/justification	Status
Applications processed in 2023, after scheme suspension date TM is to establish and implement formal procedures to ensure timely and transparent public communication in the event of suspension or closure of similar schemes. **Accepted**	For the purpose of transparency, TM is ensuring that any announcement concerning the suspension or closure of schemes is formally issued through TM's website and the Authority's official social media channels.	
	Where applicable and depending on the type of scheme, TM proactively communicates with relevant stakeholders (e.g., agents and car dealers) to ensure timely notification of scheme terminations.	
	Prior to issuance, all related communications require written approval from the Chief Officer (Land Transport Directorate). This approval is formally documented and retained to maintain a complete and adequate audit trail.	
	TM is working on the adoption of an electronic application system incorporating a traffic-light budget monitoring feature, which will serve as a formal mechanism for tracking budget consumption and supporting timely communication on scheme status. Where funds are close to being fully utilised, a banner will be automatically triggered on the e-form to notify applicants that submission of an application does not guarantee approval or the award of a grant.	 Mar-2027

Recommendations	Action taken/justification	Status
These procedures should include clear internal protocols for cut-off which ensure that no further applications are accepted, processed or approved, unless there is an active scheme duly published in the Government Gazette. **Accepted**	When scheme budgets approach their allocated limit, internal procedures are initiated to prepare for scheme closure, unless additional funding is secured. This process is guided by the digital system, which supports budget monitoring and timely decision-making. Communication material is prepared in advance for publication on the closure date, and all related application forms are taken offline on the effective date of closure.	
	When the new e-form mechanism is adopted, a customisable banner will be available on the application page to inform applicants on any closure dates and other information related to the pertinent scheme.	 Mar-2027
	Any applications received by the Directorate after the cut-off date are not processed, with applicants duly informed of the Authority's decision and advised that their applications will be considered once a new scheme is issued.	
	In the event that a new scheme is launched or an extension to an existing scheme is published, applicants who applied after the cut-off date of the previous scheme will be processed accordingly.	
	TM notifies vetting staff of scheme closures at least four working days prior to the effective date, insofar as circumstances permit.	

Control issue

Recommendations	Action taken/justification	Status
Lack of comprehensive checking for state aid de minimis rules, beyond the Authority's control As outlined by this Office in its Annual Report on the Public Accounts for 2023, a central register is to be compiled at national level, whereby all information about state aid granted is readily available, rather than having to enquire about this information, risking completeness. This will also satisfy the requirements of Articles 24 and 25 of the Commission Regulation (EU) 2023/2831, stating that Member States should provide complete information on de minimis aid granted in a central register at national or union level, at the latest from 1 January 2026. **Partially accepted**	The implementation of this recommendation falls under the remit of the State Aid Monitoring Board (SAMB) and not TM; accordingly, while TM agrees with the recommendation in principle, it cannot accept it due to lack of authority. The register has since been introduced by SAMB, and TM can update it in its role as a granting authority, maintaining manual records for aid granted prior to 2026 and recording aid granted from 2026 onwards in the new system. While the controls in place provide a substantial level of assurance, residual risks remain, as the register of De Minimis grantors is based on institutional knowledge rather than a centralised source, and verification of the Single Undertaking definition relies partly on certifications issued by warranted professionals, which TM cannot independently validate.	
	To ensure completeness of applications, TM requires that all State Aid compliance information submitted by applicants is verified and countersigned by a warranted auditor or accountant.	
	For each application, TM also requests formal confirmation from all relevant De Minimis Grantors regarding any aid awarded to the applicant, and any related entities forming part of the same Single Undertaking, during the previous three-year period.	
	This data is consolidated with TM's internal records of de minimis aid previously issued, following which a compliance assessment is carried out in line with the De Minimis Regulation. No application progresses to the next stage without documented confirmation of compliance, and the relevant data, including beneficiaries and amounts granted, is submitted annually to the SAMB.	
	Transport Malta has collaborated with the Malta Institute of Accountants to develop guidelines for auditors and accountants when conducting checks on applications submitted for State aid.	Oct-2026

General comment

Throughout the audit process, Management demonstrated a good level of cooperation and was forthcoming with the submission of the requested documentation and information. TM officers were knowledgeable about the processes under review and provided clear explanations, which facilitated the audit procedures and contributed to the timely completion of the engagement.

FOLLOW-UP ON PENDING ACTIONS

2025
GA PUBLICATION

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Grant for Electric Vehicles – Expenditure		
Checking for state aid de minimis rules constrained The European Commission is developing a digital tool for an online de minimis register. Malta, along with other Member States, will use this system once it is operational.	Jan-2026	**This action does not depend on TM or the Ministry.** The register has been introduced by State Aid Monitoring Board and as a granter, TM can directly update it. Until the full benefits of this system are realised, TM maintains a hybrid approach – maintaining manual records for aid issued prior to 2026, while recording aid issued from 2026 onwards in the new register.
Lack of complete details in application forms The Authority aims to digitalise all application processes into e-forms to enhance audit trail.	Dec-2027	**In progress** The digitalisation of all application processes into e-forms is currently undergoing User Acceptance Testing. Once the form is confirmed to meet TM's requirements, it will be deployed for the NewEV scheme and subsequently replicated across all other schemes administered by TM. Estimated date of implementation is Q4 2027

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Transport, Infrastructure and Capital Projects – Payables and receivables		
Debtor's year-end balance not in agreement with third party confirmation MTIP, in collaboration with the Treasury Department, has completed the first phase of an exercise to reconcile payments made in 2020/2021 against issued invoices. MTIP is actively working with the Treasury Department and Infrastructure Malta (IM) to reconcile payments made by IM, to ensure proper offsetting, and to maintain ongoing communication to resolve any discrepancies.	Dec-2025	**In progress** MTIP is in the process of finalising all long-outstanding invoices with IM. While several items were settled following discussions between MTIP and IM officials, a number of invoices remain under discussion and are to be concluded accordingly. Estimate date of implementation is Q3 2026
The Ministry will investigate any arising discrepancies to ensure the accuracy of amounts and completeness of returns. Identified discrepancies will be communicated to the respective debtor, followed by negotiations with the debtor to amend and reconcile the balances accordingly.	Dec-2025	**Implemented as planned** To date, the Ministry has identified no discrepancies, and all records maintained are up to date in line with the respective due invoices. The Ministry also ensures that a monthly Debtor's Report is updated regularly so that any variances are promptly communicated to the relevant debtor and addressed in a timely manner.

Pending actions in GA Report 2025	Implementation date in GA Report 2025	Status
Reconstruction of Lascaris Wharf – Capital expenditure		
Incomplete cost estimates A documented standardised framework for developing complete cost estimates is being developed.	Dec-2025	**Implemented as planned** A methodology document has been developed by IM.
Management is ensuring that the standardised approach for developing complete cost estimates is consistently applied for future capital projects through the dissemination of a circular.	Dec-2025	**Implemented as planned**

2024
GA PUBLICATION

Pending action reported in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Transport Malta – Expenditure			
Weak internal controls The Authority is in the process of issuing a call for applications to reinforce its Internal Audit Department so that processes and internal controls are strengthened and enforced.	To be implemented through a different course of action Following an unsuccessful recruitment process for the appointment of two Managers roles in January 2024, the Human Resources (HR) Department commenced internal discussions on the Internal Audit Department's restructuring. As the Department reports to the Audit Committee, a fresh human resources plan will be agreed upon once the Committee's Chairman is appointed.	Dec-2025	**In progress** Following approval of the revised structure by the Audit Committee and the HR Department, recruitment for the relevant roles in the Internal Audit Department is underway.

Pending action reported in GA Report 2024	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
TM is in the process of drafting an SOP regarding contract management. Management will circulate the SOP among staff concerned and ensure compliance.	To be implemented through a different course of action TM is in the process of selecting a service provider to develop and implement comprehensive policies, standard operating procedures (SOPs), and a business process re-engineering (BPR) exercise across all TM directorates. As part of this initiative, the contract management SOP will be included in the exercise.	Dec-2025	**In progress** A BPR exercise is ongoing within TM, which shall be carried out over 14 months, structured in phases, as follows: i. Phase 1 – mapping of existing processes; ii. Phase 2 – identification of risks, agreement on areas for improvement, and definition of future processes; and iii. Phase 3 – development of SOPs based on the newly established processes. Given that contract management processes have an impact across multiple Directorates within the Authority, the development of a Contract Management SOP will also be addressed as part of this BPR exercise. Estimated date of implementation is March 2027.

2023 GA PUBLICATION

Pending action reported in GA Report 2023	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Transport Malta – Expenditure			
Irregularities in the procurement of various works provided by a contractor TM will draft and circulate an SOP regarding contract management. Management will ensure compliance.	Not yet implemented TM is in the process of selecting a service provider to develop and implement comprehensive policies, standard operating procedures (SOPs), and a business process re-engineering (BPR) exercise across all TM directorates. As part of this initiative, the contract management SOP will be included in the exercise.	Dec-2025	**In progress** A BPR exercise is ongoing within TM, which shall be carried out over 14 months, structured in phases, as follows: i. Phase 1 – mapping of existing processes; ii. Phase 2 – identification of risks, agreement on areas for improvement, and definition of future processes; and iii. Phase 3 – development of SOPs based on the newly established processes. Given that contract management processes have an impact across multiple Directorates within the Authority, the development of a Contract Management SOP will also be addressed as part of this BPR exercise. Estimated date of implementation is March 2027.

2022
GA PUBLICATION

Pending action reported in GA Report 2022	Pending action reported in GA Report 2025	Implementation date in GA Report 2025	Status
Ministry for Transport, Infrastructure and Capital Projects - Store items			
Inadequate storage facilities and upkeep Plans are in place so that the stores that are currently in containers at Kordin will be relocated. A tender for the construction of a new store at Kordin is planned to be published. Ministry for Public Works 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.	Not yet implemented Funding for the initiation of Phase 1 of the project was not allocated for year 2025.	Q4 2026	**Not yet implemented** Funding for the initiation of Phase 1 of the project was not allocated for year 2026. Q4 2027



FOLLOW-UP ACTION ON ADDITIONAL NAO AUDITS

Ministry for Culture, Lands and Local Government

Performance Audit - Preliminary Review: Leasing of Private Property by Government (Published by the NAO in 2024)

The National Audit Office (NAO) carried out a performance audit to determine whether government leasing of private property offers value for money. Following its findings, the NAO issued several recommendations aimed at improving the operations of both the Ministry and the Lands Authority (LA).

One of the NAO's recommendations was to commission appropriate studies and cost-benefit analyses to identify the most cost-effective options for securing additional government space when needed. In response, the LA began a reconciliation process with certain Ministries to identify the properties they hold. The process will gradually be extended to all government Ministries and entities. This initiative is intended to improve understanding of the needs of Ministries and their entities, strengthen collaboration, and ensure more tailored support. Although the exercise is long-term and demanding, it is expected to address long-standing shortcomings in the management of government assets.

With the objective of enhancing its existing databases on Government properties, in line with the recommendations put forward by the NAO, the LA is working on the formulation of a comprehensive strategy involving cross-directorate collaboration to improve of data management practices. While ensuring that the Authority's momentum in terms of processed applications is maintained, and where possible enhanced, this strategy will aim to address data cleansing processes, population of systems with missing information, and enhancing accessibility for employees to retrieve data efficiently. The Authority remains confident that upon completion, anticipated within a four-year timeframe, this exercise will significantly strengthen data management practices.

As an interim measure, the Operations Unit has re-organised the property tab on the Land and Estate Management Information System (LEMIS V2). The LEMIS acts as the main platform for recording and managing all property-related information including Government properties. The Estate Management personnel have been tasked with updating missing information on the property tab to ensure continuity and accuracy in the management of property records. Additionally, internal instructions have been provided so that relevant data is recorded promptly in the LEMIS when creating new property accounts. The responsibility to populate the information in the system has also been extended across all the LA's directorates and the Joint Office, each overseeing its respective area of responsibility.

In relation to the NAO's recommendation to enhance the internal resources to better optimise the benefits associated with the LEMIS system, LA has initiated several other projects, including the digitalisation of property folders and old property drawings. Over 66,000 files have already been scanned as part of these efforts. This digitisation process forms an integral part of the Authority's daily operations and fulfils a legal mandate under Chapter 563, Lands Authority Act, Article 7 (8).

Following one of the NAO's recommendations to maintain appropriate records and documentation with respect to each request made by specific Governmental Entities, the LA made significant improvements to its property identification procedures, with a particular focus on bolstering both efficiency and effectiveness in managing government property leases. One of the key developments was the introduction of an online application, the Property Locator Application Form (PRO1), specifically designed for use of Government Ministries and Entities. This system serves to centralise all property-related requests, allowing for streamlined processing and the creation of a comprehensive audit trail within the LEMIS V2 platform to ensure accountability and transparency.

After the launch of the PRO1, the LA issued a circular to all Ministries instructing them to disseminate it to their respective Entities. This circular outlines the mandatory procedure for the leasing of private property for government use, referencing Article 35 of S.L. 601.12 – Procurement of Property Regulations. Additionally, the LA delivered a presentation to the Directors (Corporate Services), where it provided detailed information regarding the new online application process, thereby ensuring that all Ministries and Entities were fully informed of the updated requirements and protocols relating to property leasing. Upon consultation between the Department of Contracts (DOC) and the LA, it was agreed that, to raise more awareness among Ministries and Entities, the DOC should also issue a circular outlining the process to be followed for the procurement of private property.

Another supporting measure introduced by LA was the introduction of a standard operating procedure (SOP) concerning the PRO1 application which was disseminated to all the staff concerned. The SOP sets out the workflow, from the first request and continuing through the creation of a case officer report to the final approval of the CEO.

Apart from PRO1, the LA also introduced the Transfer Back of Properties Online Form (TB1). The TB1 form is an online application introduced by the LA to facilitate the structured transfer back of Government properties, or parts thereof, that are no longer required or are under-utilised by Ministries and public entities. The form supports improved land management by enabling the Authority to reallocate such properties more effectively and maintain an updated inventory of Government assets.

Overall, the LA has responded to the NAO's recommendations through a set of complementary measures aimed at strengthening governance over leased property. The ongoing reconciliation exercise, together with improved data management practices and the extensive digitisation of records, should provide a more reliable evidence base for decision-making. In parallel, the introduction of the PRO1 application, related circulars and staff SOPs has standardised procedures, enhanced transparency and reinforced compliance with procurement requirements. Sustaining these initiatives and completing the planned strategy will be key to improving the cost-effective use of government space and delivering better value for money.

Ministry for the Environment, Energy and Public Cleanliness & Ministry for Transport, Infrastructure and Public Works

Climate Change Adaptation: Evaluating Malta's efforts relating to flooding and sea level rise

This performance audit assessed the extent to which Government is adapting to current climate-change risks arising from extreme weather events such as flooding and slower-onset impacts such as sea-level rise. While the NAO noted that several initiatives are in place to strengthen climate management, it also issued further recommendations to reinforce Government's commitment. The Ministry for the Environment, Energy and Public Cleanliness (MEEC) and the Ministry for Transport, Infrastructure and Public Works (MTIP) submitted replies addressing the areas falling within their respective remits.

Addressing data and knowledge gaps impacting the quality of risk assessments

In response to the NAO's recommendation to remain actively involved in initiatives such as CARDIMED, LocAll4Flood and MedSeaRise, the Climate Action Authority (CAA) within MEEC remarked that it will continue to support collaboration on these projects to build capacity within the CAA and across ministries, in line with the Climate Action Act. The CAA will also continue to promote in general any initiatives in relation to climate action including climate adaptation. The CAA is also implementing a Technical Support Instrument (TSI) project with the assistance of the Organisation for Economic Co-operation and Development to build capacity and data cataloguing with the aim of establishing a climate action data and information warehouse. Through this project, climate-related data and information will be stored, organised and made accessible in a single location.

Timely completion of future climate VRAs for more effective policy shaping

In relation to the NAO's recommendation to identify and carry out any additional sector-specific Vulnerability Risk Assessments (VRAs), the CAA will continue to encourage the updating and reviewing of VRAs at sectoral level during the development of the plan and thereafter, as needed. The plan will focus on ten priority areas: (1) energy, (2) transport, (3) human health, (4) wholesale and retail trade, (5) tourism, (6) arts, entertainment and recreation, (7) construction, (8) manufacturing sectors, (9) water services, wastewater and waste, and (10) agriculture and fisheries.

More detailed adaptation plans that include SMART performance measures

The CAA fully agrees with the NAO's recommendation that the national adaptation plan should set clear key performance indicators and objectives. These will be practical, costed, and supported by a dedicated implementation framework that covers capacity building and stakeholder engagement.

Adopt and implement the national strategic framework for coastal protection and adaptation

To address the climate change hazard of sea-level rise, the Public Works Department within MTIP is contributing to the safeguarding of coastal users and the resilience of critical public and private assets located along the coastline through the implementation of targeted studies, capital interventions, and protective works. A Coastal and Stormwater Unit was established to implement coastal protection, and carry out mitigation works in various areas. In parallel, the Unit collaborates with the Energy and Water Agency in the preparation of the third Flood Risk Assessment, in fulfilment of national obligations under the Floods Directive and in alignment with the Water Framework Directive. This collaboration ensures coherence between coastal protection measures, flood risk management planning, and broader national resilience objectives. Within this strategic framework, the Coastal and Stormwater Unit is seeking to strengthen its professional, technical, and administrative capacity, in line with national public sector capacity building priorities and the increasing complexity of climate adaptation challenges. This Unit also plans to expand continuous data collection, monitoring, and modelling of seastate and coastal processes, supporting evidence-based policy-making and risk-informed decision-making as envisaged in national adaptation strategies. Another action that this Unit will carry out is to enhance routine and systematic monitoring at critical coastal sites identified through national risk assessments. This Unit will further develop a comprehensive Coastal Protection Masterplan, providing a structured, phased pipeline of priority projects and associated financing mechanisms, consistent with national infrastructure planning, climate resilience objectives, and EU funding frameworks.

Quantify the adaptation funding gap and ensure that budgets are commensurate with investment needs

The quantification of the funding gap required to enhance resilience to climate impacts will form a core component of the National Climate Resilience Plan, as embedded in the planned tender requirements. Building on the National Vulnerability Risk Assessment concluded in 2024, this work will support the development of a clear financial roadmap, enabling the identification of funding needs, early detection of potential shortfalls, and improved tracking and allocation of adaptation financing, in line with EU policy frameworks.

Office of the Prime Minister

Performance Audit: An assessment on the Inspections Coordination System

Context

The National Audit Office (NAO) conducted a performance audit of the Inspections Coordination Office (ICO) to assess whether it is fulfilling its remit efficiently, to determine whether the ICO, through its operations, is assisting Government entities to have greater visibility of local businesses, and whether its remit could be enhanced.

Under the ICO framework, inspectorates are classified as either Primary Inspectorates (PIs) or Secondary Inspectorates (SIs). PIs carry out on-site inspections where required by legislation or specialised expertise and analyse the data they collect. SIs, on the other hand, analyse inspection data gathered on their behalf by PIs. Depending on the type of business being inspected, an inspectorate may operate in both capacities, enhancing coordination, collaboration, and visibility across inspection activities.

Implementation of the provisions set out in Chapter 568

The ICO emanates from the Coordination of Government Inspections Act (Cap. 568). The NAO recommended expediting the enrolment of all inspectorates listed in the legislation to ensure it achieves its intended purpose. The ICO currently coordinates inspections with 85% of listed entities (up from 82% since the audit) and continues discussions with the remaining inspectorates regarding their inclusion or removal. The schedule was last updated in June 2025 and will continue to be revised as required.

The NAO also noted that a more holistic approach to coordination should be adopted by expanding the ICO's operations to better address the objectives laid out in the pertinent legislation. This could be achieved by having the ICO more involved in the scheduling of inspections. The ICO does not agree with this recommendation, maintaining that inspection scheduling should remain the responsibility of the PIs, given their mandates and operational priorities.

In its coordinating role, the ICO requests annual inspection plans for the following year from PIs during the fourth quarter and monitors implementation accordingly. However, the ICO recognises that priorities may shift due to unforeseen circumstances. The ICO continues to foster collaboration through ongoing communication, including formal meetings, on-site support during inspections, and engagement with inspectorates through clarification meetings and other communication initiatives prior to launching a new business type.

In addition to fostering a collaborative environment with PIs and SIs, the ICO, in collaboration with IPS, provides training to the newly recruited inspectors. Moreover, the ICO consults stakeholders prior to commissioning technological enhancements and new processes to ensure their effectiveness. Ongoing communication is maintained through tailored training sessions, online meetings, and updates to existing user manuals, with further training planned based on feedback and recurring queries.

Moreover, the ICO also provides direction prior to the launch of each business type and throughout its operation. The Business Intelligence module, which has more than 30 reports, enables monitoring of inspectorate progress, supports ongoing engagement, and facilitates coordination where required.

To ensure that adequate human resources are available within its office, the ICO has the necessary headcount approvals to facilitate recruitment of additional officers as it deems necessary to fully exercise its functions. Two mid-management officials have recently been engaged, and resourcing will be kept under review in line with increasing workload and the introduction of new business types.

The NAO recommended that the practice of notifying businesses prior to an inspection is re-evaluated since this may be serving as an advance warning to operators. The ICO cannot accept this recommendation since such decisions rest with the relevant PI in line with its applicable legal framework and operational requirements. Moreover, the ICO emphasises that its objective is to promote high standards among businesses, prioritising education over enforcement, as prior notification may encourage operators to improve compliance proactively.

The NAO recommended applying a consistent level of rigour across all inspectorate remits through re-engineering of the ICO's processes. The ICO does not agree, noting that enforcing uniform rigour would require SIs to undertake on-site inspections, increasing duplicate visits and undermining the scope of the legislation.

The NAO further recommended that PI-collected information should be sufficient for SIs to proceed confidently with sanctions or legal action. The ICO does not concur, as this would extend PI responsibilities beyond their remit and could require PI inspectors to testify in court in SI proceedings. This would detract from PIs' primary role to collect data for itself and for other entities during the on-site inspection and undermine the legislation's intent. The ICO maintains that SIs remain responsible for their own investigations and enforcement, using intelligence from coordinated inspections to guide follow-up actions.

SIs define their own information requirements and create specific questions within the inspection form for PIs to address during inspections. This approach provides actionable intelligence to SIs while minimising duplication and limiting repeat visits to businesses by multiple entities. While coordinated inspections may take longer where PIs collect data for SIs, the ICO has provided the required tools for post-inspection work to be more efficient and less time-consuming. System-wide, the approach reduces repeat visits by individual inspectorates and supports more efficient use of resources.

Standard Operating Procedures (SOPs)

The ICO has developed SOPs for inspectorates participating in coordinated inspections to support standardisation, best practice, and operational continuity, together with internal SOPs covering ICO operations. SOPs are reviewed annually and updated when new processes are introduced.

Inspection Online Solution functions

The NAO acknowledged the ICO's efforts to address challenges encountered by PIs in using electronic tools and urged the Unit to continue monitoring IOS and gathering user feedback so emerging issues are addressed promptly. The ICO provides responsive technical support at all times, conducts regular outreach and surveys, and delivers timely training and guidance, including one-to-one support on request. It also promotes on-site accompaniment to observe inspection practices, system performance, and operational procedures firsthand.

High Standards of Compliance (HSOC) award

The NAO expressed concern that the HSOC award framework should be reconsidered unless a fair and equitable approach is maintained across establishments within the same business category. The ICO maintains that inspections are conducted on a cyclical basis, with uninspected operators scheduled in subsequent years. Where a previously compliant establishment is not inspected, HSOC renewal may occur automatically only in the absence of significant infringements.

To enhance transparency, a disclaimer will accompany HSOC renewals to clarify that an establishment may not have been inspected during the year, and renewal occurred because no significant infringements were reported. Follow-up visits remain the responsibility of PIs and are scheduled based on inspection outcomes, with lower scores triggering earlier revisits.

Scope of coordination and interpretation of performance data

When interpreting impact and performance data, the ICO emphasises the need to distinguish between routine inspections suitable for coordination and specialised or situational activities (e.g. pre-operational, point-of-entry, desk-based, or product-specific inspections). In line with Cap. 568, coordination is pursued "where reasonably possible", recognising that not all inspections can be integrated into the coordinated framework. For example, it would not be reasonable for an inspector collecting extensive product-price data for statistical monitoring to also conduct workplace health and safety checks, or to gather employee-related information during customs checks prior to products reaching retail premises.

Concluding remarks

The ICO remains committed to continuously strengthening the coordinated inspections framework. While some recommendations have been accepted or are already being implemented, the ICO maintains that certain recommendations would extend its role beyond the remit established under the Coordination of Government Inspections Act (Cap. 568). The Office will continue to work closely with participating inspectorates to enhance coordination, improve operational processes, and support an efficient, risk-based inspection regime that reduces duplication while respecting the statutory responsibilities of each inspectorate.

Ministry for European Funds and the Implementation of the Electoral Programme

Joint Audit on the Performance of the Interreg Italy-Malta Programmes: the Results Achieved in the 2014-2020 Programming Cycle and an Outlook on the 2021-2027 Programme

The National Audit Office (NAO), together with the Court of Auditors of Italy carried out a joint audit on the performance of the Interreg Italy-Malta programmes. The audit analysed the results achieved in the 2014-2020 programming cycle and gave an outlook on the 2021-2027 programme. The joint audit acknowledged the efforts undertaken by the programme authorities responsible for managing the Interreg Italy–Malta Programme, while noting that certain improvements would enhance its strategic impact and operational efficiency.

The Managing Authority located in Sicily oversees the overall coordination, financial management, monitoring, and implementation of the programme, ensuring compliance with European Union (EU) rules while supporting beneficiaries and working closely with the Joint Secretariat. The Malta National Co-ordination Authority (MNCA), based within the Funds and Programmes Division, focuses on national-level monitoring, verification, and coordination of programme activities, while also promoting the programme locally and encouraging broad stakeholder participation.

The NAO pointed out the limited capitalisation and coordination of Interreg Italy-Malta Programmes with other programmes. The MNCA outlined the Programme's built-in strategic alignment with EU and national funding instruments, ensuring complementarities, avoiding duplication, and facilitating the integration of Interreg outputs into mainstream policy and funding frameworks. The NAO noted that participation in Interreg Italia-Malta Programmes was largely limited to public sector beneficiaries, mainly due to administrative burdens and financial guarantee requirements impacting smaller organisations. This is being addressed by the MNCA through enhanced outreach, guidance and communication efforts, in collaboration with *Servizzi Ewropej f'Malta* and relevant EU funds bodies, to support wider participation by local authorities, non-governmental organisations and small and medium enterprises. Ongoing outreach efforts include regular updates on social media, updated website content, informational events, and sessions designed to explain calls and clarify procedures.

The NAO identified weaknesses in coordination, harmonisation of controls, and audit methodologies between the Italian and Maltese authorities, increasing the risk of inconsistencies and non-compliance. In response, the MNCA strengthened harmonisation through targeted joint training, updated control tools, and enhanced risk-based methodologies. The Italian Audit Authority and the Internal Audit and Investigations Department plan to increase cooperation in 2021–2027 through regular coordination meetings, staff exchanges, joint audits, and reinforced audit verification procedures, including prior sharing of sub-samples and draft audit reports. The NAO recommended the introduction of specific guidelines and more robust key performance indicators (KPIs) to improve monitoring and transparency, which was addressed by the Managing Authority through the development and Commission-approved KPIs incorporated into the Interreg Italia–Malta Programme 2021–2027.

The Managing Authority introduced clearer and more consistent evaluation thresholds to improve quality assessments. The applicants are required to meet defined minimum scores in both the strategic and operational components rather than relying solely on an aggregate score. These structured thresholds were introduced in Call 2/2025 and are intended to be retained in future calls. These changes addressed the NAO's recommendation to programme authorities to enhance the quality, accuracy and consistency of Programme and project indicators as well as establishing project baselines. Despite initial delays in the 2021–2027 programming cycle, the launch of Calls 1 and 2, alongside the approval of Call 1 projects by the last quarter of 2025, enabled the programme to fully meet its 2025 financial targets, demonstrating that corrective measures have effectively restored expenditure momentum and ensured compliance with the necessary requirements.

The programme authorities developed the Joint Electronic Monitoring System (JEMS), a new digital project monitoring system. This system will aid the MNCA due to its centralised reporting, automated checks, integrated financial tracking and full traceability of project data. This new system addresses the NAO's recommendation to increase accuracy and real-time accessibility of data, improving operational efficiency and strengthening project monitoring. Under the 2021–2027 framework, simplification is being advanced through the use of Simplified Cost Options (SCO). SCOs, including flat rates for staff and administrative costs, are embedded within the Programme's financial management system and supported by JEMS, which automates their application in project budgeting and reporting. A small-projects call incorporating SCOs is envisaged towards the end of 2026, reflecting the programme's commitment to reducing administrative burden and introducing more accessible funding instruments. These measures address the NAO's recommendation of reducing administrative burden and enabling greater focus on project implementation.

Overall, MNCA, together with the Italian Authorities, is committed to enhance its operations and address the NAO's recommendations. In fact, various operational and technological reforms have been implemented. The improvements made in the 2021–2027 framework reflect the dedication to continuous upgraded service, accountability, and the effective fulfilment of its role.

Ministry for Health and Active Ageing

Performance Audit: Home-Based Medical and Clinical Services for the Elderly

1. Overview of the Audit

This report consolidates the findings of the National Audit Office (NAO) Performance Audit on Home-Based Medical and Clinical Services for the Elderly[1] together with feedback from the respective entities. The audit formed part of an international parallel study assessing government preparedness for an ageing population, with Malta focusing specifically on home-based medical and clinical services for individuals aged 60+, as well as the role of these services in supporting ageing in place and reducing reliance on institutional care.

The audit assessed the range and accessibility of home-based medical and clinical services, their strategic positioning within national policies, usage trends and projections, as well as the allocation of financial and human resources. The period under review covered 2019 to 2024, with 2019 used as a pre-COVID baseline for comparative purposes.

1.1. Key Context

- Malta has a rapidly ageing population, with circa 23.7% aged 60+ by 2024
- Around 93% of elderly persons live in the community, reinforcing the importance of home-based care
- Approximately 61% of elderly persons have at least one chronic condition

1.2. System Characteristics Identified

A wide range of services exists, delivered across multiple entities (AACC, MDH, PHC, SAMOC, MHS, GGH). However, services are decentralised, fragmented in access and coordination and not supported by unified data systems.

1.3. Conclusions

The audit identified a number of systemic issues affecting the effectiveness and sustainability of home-based medical and clinical services for the elderly. Firstly, service delivery is fragmented, with multiple providers operating with limited coordination, resulting in complex and, at times, burdensome pathways for patients, particularly those with multi-morbidity who require services from several entities. Secondly, while these services are recognised within national policy frameworks, there is a lack of strategic consolidation, with no clear operational roadmap, defined targets, or dedicated strategy to guide their development and integration.

Furthermore, the audit highlights significant weaknesses in data and analytics capability. There is an absence of reliable trend analysis and demand projections, which limits the ability of entities to effectively plan capacity, allocate resources, and anticipate future service needs. This is compounded by financial and resource visibility gaps, as there is no dedicated budgeting for home-based services, and entities face challenges in extracting accurate cost and expenditure data, reflecting weaknesses in financial reporting systems.

Finally, the audit identifies human resource constraints as a critical risk. There is clear evidence of staff shortages across entities, coupled with a lack of granular human resource data to support workforce planning. These shortcomings pose risks to the timeliness, coverage, and overall sustainability of service delivery, particularly in the context of an ageing population and increasing demand for home-based care.

1 Source: https://nao.gov.mt/wp-content/uploads/2025/12/Home-Based-Medical-and-Clinical-Services-for-the-Elderly.pdf

1.4. Recommendations

The audit recommends a series of coordinated actions aimed at strengthening the effectiveness, efficiency, and sustainability of home-based medical and clinical services.

A. System integration and coordination should be prioritised through the establishment of clearer and more streamlined referral pathways, improved communication channels between entities, and a progressive shift towards a one-stop-shop model to simplify access and enhance the patient journey.

B. Strategic framework development is also essential, with a consolidated national strategy for home-based services that sets out clear objectives, defined timelines, and coordinated implementation across all involved entities.

C. Data and Information Systems require significant strengthening through the implementation of robust information management structures, including integrated datasets covering human resources, financial, and operational data, supported by standardised reporting mechanisms and real-time analytics capabilities.

D. Demand planning should be enhanced by developing accurate and evidence-based projections of service usage, enabling better alignment of capacity with anticipated demand and supporting informed investment and resource allocation decisions.

E. Workforce planning must address existing staff shortages while ensuring that human resource planning is aligned with projected demand and the future expansion of services, thereby safeguarding service quality, coverage, and long-term sustainability.

2. Feedback by Entities

A series of meetings were held with the respective entities, and their feedback was collated and analysed. Overall, the synthesis of responses indicates a high level of alignment with the findings and recommendations of the NAO. Entities generally acknowledge the key issues identified, particularly in relation to coordination, data limitations, and workforce challenges.

However, the feedback also highlights a number of practical implementation constraints. These are primarily linked to limitations in existing IT systems and the need for more advanced, interoperable digital infrastructure, ongoing workforce shortages and capacity constraints, and the structural fragmentation of services across multiple entities. Collectively, these factors are seen as the main barriers to fully implementing the recommended reforms in the short to medium term.

2.1. Active Ageing and Community Care (AACC)

The position of AACC reflects broad agreement with the audit findings and recommendations, with most of the proposed measures being accepted. AACC emphasises the importance of adopting a system-wide approach, particularly in relation to digital integration, rather than pursuing isolated, entity-level solutions. It also notes that elements of coordination are already in place through a case management model, supported by professionals such as social workers and community care staff. In addition, AACC confirms that costing exercises and initial work on trend analysis have been initiated to better understand service demand and resource requirements.

AACC also highlights a number of challenges that may impact implementation, including the absence of interoperable systems across entities and constraints related to workforce availability. In this regard, AACC underscores the need for a more integrated digital health ecosystem to facilitate improved coordination, data sharing, and service delivery.

2.2. Gozo General Hospital (GGH)

The position of GGH reflects a mixed response to the audit findings, with recommendations being both accepted and partially accepted. GGH acknowledges the issues raised, particularly in relation to data quality and planning, and notes that improvements have already been implemented in data collection processes, including staff training and the use of the CPAS system. It also recognises the need to further enhance data management practices, specifically through the introduction of standardised data fields and the development of more reliable service usage projections.

GGH reports that steps have been taken to improve data input quality and that human resource needs are being addressed incrementally. However, it also notes ongoing challenges, particularly with regard to data reliability and consistency across systems, as well as workforce shortages, which continue to impact service delivery and planning capacity.

2.3. Mater Dei Hospital (MDH)

The position of MDH reflects general acceptance of the audit findings and recommendations, while noting structural limitations that affect full implementation. MDH highlights that its current data systems do not provide the required level of granularity, particularly in relation to segmenting services for the 60+ population, as planning is conducted on a service-based rather than demographic basis. It further notes the need for more advanced IT systems and specialised software to enable more detailed data extraction and analysis.

MDH reports that measures have been taken to strengthen coordination and planning, including the establishment of the Geriatric Assessment Team (GAT), which serves as a link between hospital services and community-based care. It also confirms that trend analysis for community services is ongoing. However, MDH notes that further progress is dependent on significant IT investment and system upgrades, with implementation timelines extending into the medium to long term.

2.4. Mental Health Services (MHS)

The position of MHS reflects partial alignment with the audit findings and recommendations. MHS notes that while the observations are valid, its current service model is not specifically designed around elderly populations, as services are generally structured around clinical conditions rather than age cohorts. It also highlights that there is currently limited infrastructure dedicated to home-based mental health services for older persons.

MHS reports that work is underway on the development of standard operating procedures (SOPs) for referrals and that plans are in place to improve data granularity, including better segmentation and tracking of service users. However, it also notes ongoing challenges, particularly in relation to human resource shortages and the structural design of services, which are not primarily oriented towards home-based elderly care.

2.5. Primary Health Care (PHC)

The position of PHC reflects partial acceptance of the audit findings and recommendations, noting that progress in addressing the identified issues is largely dependent on IT feasibility and system enhancements. PHC highlights limitations in its current data systems, particularly in distinguishing whether services are delivered in patients' homes or within facilities, as well as in producing reliable service usage projections.

PHC reports that actions have been initiated, including a request for an increased intake of GP trainees to strengthen workforce capacity, while efforts to improve financial data and reporting are ongoing. However, it also notes that structural IT limitations and human resource shortages continue to present challenges to effective service planning and delivery.

2.6. SAMOC (Oncology Services)

The position of SAMOC reflects partial acceptance of the audit findings and recommendations. SAMOC notes that its service model is structured around clinical conditions rather than age cohorts, and therefore certain aspects of the recommendations, particularly those related to age-based segmentation, have limited applicability. It highlights that a nurse navigator model is already in place, providing a coordinated approach to patient care, and that a community oncology outreach service was launched in 2026 to extend care directly into patients' homes.

SAMOC further indicates that efforts are being made to strengthen data collection processes to support improved monitoring and the development of future service projections, while noting the inherent limitations associated with the nature of oncology services.

3. Cross-cutting themes

Across all entities, several consistent themes emerge. Firstly, services are delivered through multiple organisational structures, reflecting historical service development across different care settings. While this enables broad service coverage, it also results in variable coordination mechanisms and non-standardised patient pathways, particularly for individuals requiring multi-disciplinary and cross-setting care. From a patient perspective, this can translate into more complex navigation across services, especially for individuals with multi-morbidity or higher dependency needs.

Addressing these challenges requires stronger collaboration across entities, with each entity taking ownership of implementing improvements within its remit. To support cross-cutting priorities, the Ministry, through the Director General Health Care Services, will establish an intra-ministerial steering committee, comprising the relevant entities and stakeholders to monitor progress, facilitate collaboration, resolve shared issues, and promote consistent implementation, while maintaining operational accountability at entity level.

Secondly, there is a clear dependency on digital infrastructure, with most improvements contingent on the development of interoperable systems and a shared data architecture across entities.

Thirdly, data limitations remain a significant constraint, with deficiencies in data availability, quality and structure acting as a key barrier to effective planning, forecasting, and budgeting. Fourthly, workforce constraints are consistently highlighted across entities, with shortages being both persistent and systemic in nature, and not easily resolved in the short term.

Finally, there is an observable shift towards more integrated models of care, with emerging practices such as case management within AACC, nurse navigator roles within SAMOC, and the GAT within MDH reflecting early steps towards a more coordinated and person-centred approach to service delivery.

4. Conclusion

Overall, the findings indicate that Malta has a comprehensive range of home-based medical and clinical services for older persons, but that further improvements depend on stronger collaboration across entities, enhanced digital interoperability, and better use of data to support planning and decision-making. While implementation should remain the responsibility of individual entities, shared cross-cutting priorities would benefit from structured oversight through an intra-ministerial steering committee, enabling coordinated action while preserving operational accountability.

REPORT BY THE AUDITOR GENERAL ON THE WORKINGS OF

LOCAL GOVERNMENT

MELLIEĦA LOCAL COUNCIL

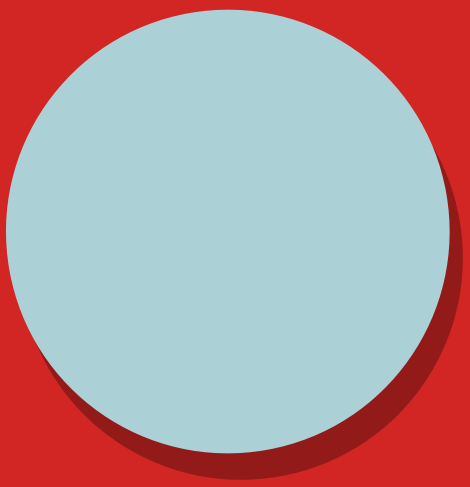
The main scope of this audit was to determine whether the operations of the Mellieħa Local Council during 2024 were conducted in line with the relevant regulations emanating from the Local Government Act (Cap. 363), as well as with the applicable regulations and guidelines issued by LGD. Moreover, procedures were carried out to establish whether Government resources were used prudently and in a judicious manner.

An analytical review was carried out on the Council's Schedules of Payment for 2024; payments were stratified in accordance with the method of procurement as recorded therein, i.e., tender, quotation, direct order and other routine expenditure. The aggregate payments made to each service provider were also identified to determine their financial significance.

IMPROVEMENT INITIATIVES

The Council has implemented and strengthened a range of governance, procurement, contract management, expenditure, overtime and transparency controls. Procurement planning, staff training, direct order procedures, contract administration, payment verification, tender monitoring, petty cash controls, overtime authorisation and record-keeping processes have been established, reviewed or enhanced. Databases for contracts, tenders and quotations are maintained and regularly updated, while procurement and contract renewal processes are ongoing. Measures governing expenditure on events, twinning activities, leasing arrangements, publication of Council documentation and employee contract management have also been introduced or reinforced. The Council continues to monitor compliance through internal controls, supervisory reviews and documented approval processes. Ongoing initiatives include procurement exercises, compilation of twinning reports and discussions regarding the acquisition of a crew cab van. Pending actions mainly relate to the revision of bye-laws, completion of a gap analysis, publication of revised bye-laws, continuation of twinning activities, and implementation of certain future overtime and performance review arrangements.

Recommendations by the NAO 24



Accepted 24

Actions by the Local Council 45



In progress 4

Implemented 41

Recommendations	Action taken/justification	Status
Non-adherence to procurement regulations Effective advance planning is crucial to, as far as possible, identify procurement needs and ensure that the acquisition of goods and services is carried out in a fair and transparent manner, treating all interested suppliers equally, as pronounced in the Local Government (Procurement) Regulations (S.L. 363.186). **Accepted**	The Council prepares a yearly procurement plan, outlining the goods, services, and works expected to be procured during the financial year, including estimated costs, timelines, and proposed procurement methods. The plan is aligned with the approved annual budget and serves as a guiding document for all procurement activities throughout the year. The plan is reviewed periodically and updated as required.	
	Pertinent staff from the Mellieħa Local Council are provided with opportunities for training in relation to procurement.	
Direct orders are to be resorted to only in exceptional cases, and only after approval from the right level of authority is obtained. **Accepted**	Direct orders are being used strictly as an exception and only in accordance with the Local Government (Procurement) Regulations.	
	Prior to issue, a Direct Order Request Form is submitted to the Procurement Section, including a clear justification and a declaration confirming that no alternative procurement method is available. No direct order is issued without prior approval by the Executive Secretary in line with the applicable thresholds, with all approvals documented.	
Furthermore, all payments are to be supported with sufficient documentation which should be duly verified before the respective payment is approved. **Accepted**	The Council, through the four-eye principle, verifies that invoices correspond to the issued purchase order following a call for quotations and the selection of the cheapest compliant offer. For works and/or supplies contracts, invoices are also certified by the responsible architect or engineer.	
	The Council has guidelines established governing the verification of payments.	

Recommendations	Action taken/justification	Status
To this effect, contracts with service providers are to be duly formalised, clearly outlining the specific rights, responsibilities and obligations of each party. This will also enhance internal controls and prevent potential disputes. **Accepted**	The Council, through the four-eye principle, verifies that invoices correspond to the issued purchase order. For works and/or supplies contracts, invoices are also certified by the responsible architect or engineer.	
	Standard Council-approved contract templates are used, clearly defining roles, obligations, scope, duration, and financial terms.	
	Contracts are reviewed as required by the Council's Evaluation Board to ensure consistency with the approved procurement method and applicable legal and financial requirements.	
Moreover, upon expiration of a contract, a fresh procurement process is to be launched, and new contracts are to be entered into or formally renewed if the original call for tender so provided, to ensure that related payments are properly substantiated. **Accepted**	The Council has a Tenders Database and a Quotations Database that are updated regularly.	
	A review was undertaken to identify which contracts required formal renewal, and a structured renewal plan was prepared for each respective contract.	
	The Council is engaged in ongoing procurement processes for various works, services, and supplies, reflecting continued efforts to plan, issue, and evaluate procurement in line with operational and service requirements.	
Sponsorships and gratuities While in terms of the legislation, Councils are obliged to safeguard the locality's traditions, they are still responsible for exercising caution on expenditure, ascertaining that costs strictly relate to fulfilling their functions, as stipulated in Article 33(1) of the Local Government Act (Cap. 363). This was also reiterated in Circular No. 38/2016 issued by the Local Government Division (LGD). **Accepted**	The Council is ensuring that only activities within its legal remit are funded through established governance procedures and strict internal controls. All activities, whether organised directly or in collaboration with local organisations, remain under the Council's full oversight, including planning, implementation, and financial management. Proposed activities and related expenditure are assessed for compliance with the Local Government Act and applicable regulations, formally approved by Council resolution, duly minuted, and subject to financial scrutiny. No financial commitment is undertaken unless aligned with the Council's statutory functions and approved budget.	
	The Council has developed a set of guidelines governing expenditure on events to ensure that costs are aligned with its functions.	

Recommendations	Action taken/justification	Status
Community work scheme oversights: procedural and payment issues Overtime should be clearly justified and used only in exceptional cases. **Accepted**	The Council applies the necessary controls in relation to the authorisation, recording, supervision, and payment of overtime, in line with financial management practices and internal procedures. All overtime is subject to prior authorisation by the Executive Secretary and is only approved where it is operationally necessary.	
	The Council maintains detailed records of overtime worked. Employees are required to submit overtime claims supported by accurate records indicating the dates, hours worked and duties performed.	
	Overtime claims are subject to supervision and verification prior to payment. The Executive Secretary reviews and certifies that the overtime claimed was authorised, actually worked, and necessary. Payments are processed only after this verification and confirmation that the claim complies with the Council's procedures. Through these measures, the Council ensures that overtime expenditure is properly controlled, justified, accurately recorded and paid.	
Councils must maintain proper records confirming prior authorisation before any overtime is undertaken. As a minimum, records must include the employee's name, the authorising officer, date and time, number of hours requested, justification, and the date of approval. **Accepted**	The Council has an established procedure governing the prior authorisation of overtime. Overtime is recorded on an official overtime sheet, which is completed and signed by the employee concerned and subsequently reviewed, approved, and signed by the Executive Secretary prior to payment. Overtime records consistently include all required details, namely the employee's name, the authorising officer, the date and time of overtime worked, the number of hours requested, the justification for the overtime, and the date of approval.	
	The Council developed guidelines governing overtime, covering the process from authorisation to payment, and made reference to the Public Service Management Code for the applicable overtime procedures.	
Overtime payments must not be processed without the necessary approvals. **Accepted**	The four-eye principle is applied when approving overtime payments. The Council does not issue overtime payment if prior approval has not been granted.	

Recommendations	Action taken/justification	Status
Performance bonuses are to be processed only after the close of the financial year, ensuring the full period is completed and actual performance is properly assessed before any related payments are issued. **Accepted**	The Council will ensure that the performance review of the Community Workers Foundation covers the full financial year from January to December, with the corresponding bonus being paid at the beginning of the following year.	
Gaps in overtime management for direct council staff Councils are to enhance overtime controls by mandating prior authorisation, keeping detailed documentation of work completed and requiring adequate supervisor verification before payment approval. **Accepted**	The Mellieħa Local Council will enhance overtime controls by mandating prior authorisation, keeping detailed documentation of work completed and requiring adequate supervisor verification before payment approval.	
Valid concession or lease agreement not always in place Councils are to ensure that all property leased from/to third parties is covered by a formal agreement for the full lease term and accurately reflecting all agreed-upon terms and conditions between the parties. This will help mitigate legal risks, ensure clarity of obligations, and support compliance with internal policies and applicable regulations. **Accepted**	The Council updated and renewed these agreements following internal discussions and assessment of the relevant terms and conditions that ensured that the agreements remained aligned with operational requirements and regulatory obligations.	

Recommendations	Action taken/justification	Status
Concerns in relation to twinning activities Councils must ensure full compliance with the Local Government (Twinning) Regulations (S.L. 363.141). **Accepted**	The Council will continue its twinning activities in accordance to the Local Government (Twinning) regulations.	
To avoid oversight, reports are to be consistently submitted to the Director (LGD) in a timely manner. **Accepted**	The Council is compiling a twinning report, including all activities and expenses so that the report is sent to the Local Government Division in line with Article 10 of the Local Government (Twinning) Regulations.	
Moreover, careful planning and monitoring of twinning activities is pertinent to ascertain that the associated financial commitments do not exceed the thresholds set by the cited regulations within any calendar year. This should involve the development of an annual plan for twinning activities, close tracking of related expenditure, and periodic reviews to assess cumulative financial impact. **Accepted**	The Council drafted a three-year plan for the period 2026–2028 to govern its twinning activities. The plan ensures that each activity is approved by Council resolution, supported by post-activity financial statements and full documentation for audit purposes, and reported through a consolidated annual twinning report to Council and LGD, including financial reconciliation and performance outcomes.	

Recommendations	Action taken/justification	Status
Expenditure related to twinning arrangements is to be reasonable and clearly aligned with the objectives of the agreement. Such measures will help prevent overspending, ensure compliance with budgetary limits, and support the sustainable management of twinning initiatives. **Accepted**	An expenditure report is compiled for each twinning agreement. These reports enable the Council to monitor spending, ensure compliance with approved budgetary limits, and prevent overspending.	
Shortcomings in petty cash expenditure Petty cash is to be managed efficiently and effectively in accordance with the Local Government (Financial) Regulations (S.L. 363.01). All petty cash vouchers are to be signed by the purchaser, whilst petty cash summaries are to include all necessary information to ascertain no payments are omitted or double posted. **Accepted**	The Council strengthened its petty cash controls by keeping detailed documentation, clear description, legible supporting receipts for all payments and filed sequentially.	
	Regular checks are carried out by the Executive Secretary to ensure that itemised fiscal receipts or Petty Cash Voucher Sheet are provided for all purchases.	
Moreover, to strengthen accountability and transparency, the Council is to establish a policy whereby procurement through vendors who issue itemised fiscal receipts becomes the norm rather than the exception. **Accepted**	Council staff members have been made aware of the importance of the standard practice to conduct procurement through vendors who issue itemised fiscal receipts. In exceptional cases, when this is not possible, the staff members are listing the items themselves on the Petty Cash Voucher Sheet.	
	Regular checks are carried out by the Executive Secretary to ensure that itemised fiscal receipts are provided for all purchases or items are being listed in exceptional cases.	

Recommendations	Action taken/justification	Status
Inconsistencies in the schedules of payment More diligence is to be exercised when compiling the respective Schedules of Payment. This will ensure transparency, reliability and comparability. **Accepted**	The Executive Secretary conducts a detailed review of the Schedule of Payments following its compilation by the Accounts Clerk. This review is carried out on a line-by-line basis to ensure that each entry corresponds accurately with the supporting invoice, including verification of the invoice date, amount, and purpose. The Executive Secretary also confirms that each transaction has been correctly posted to the appropriate nominal ledger account.	
Delays in uploading statutory documentation on the council's website Timely and accurate financial reporting is critical for informed decision-making, effective management of public funds, and transparency. Accordingly, Councils are to acknowledge the importance of these reporting tools. Thus, it is incumbent upon the Executive Secretary (ES) to ensure the timely publication of statutory documents as directed by LGD. **Accepted**	One day following each Council meeting, the ES uploads all approved documentation to the Council's website. Furthermore, once agreed upon, the date of the next Council sitting and the Agenda are published.	

Recommendations	Action taken/justification	Status
Council employees' contracts not provided The Council is to ensure that signed employment contracts are in place for all employees and readily available for review. The absence of updated employees' contracts exposes the Council to legal risks, compliance issues, and potential disputes due to unclear employment terms and lack of documented rights and obligations. **Accepted**	All employees' contracts were endorsed and adequately filed.	
	Each contract is assigned a reference number and is recorded in the Council's respective database. A dedicated contract file, both in hard copy and electronic format is maintained and includes the full respective documentation. Access is controlled, and updates are made promptly to reflect any contractual amendments.	
	The contracts database is periodically reviewed to ensure completeness and accuracy, and all records remain available for internal and external audit scrutiny.	
Assessment of motor vehicle leasing practices The Council is to ensure that all leasing arrangements, such as renewals, are supported by formal agreements and that procurement regulations, including tendering thresholds, are strictly followed. **Accepted**	The Council ensures that all arrangements concerning the formal leasing of equipment are properly regulated through written agreements that clearly define the terms and conditions governing their use. These agreements specify duration, responsibilities of the parties, maintenance obligations, insurance coverage, payment terms (where applicable), and termination clauses.	
	The Council ensures that no equipment is leased or placed into service without a formally approved and signed agreement in place.	
	Standardised templates are being utilised to promote consistency and legal certainty.	
	All agreements are being recorded in the Council's databases and monitored throughout their validity period.	

Recommendations	Action taken/justification	Status
Additionally, decisions such as opting to lease rather than purchase should be documented with supporting analysis and retained for future reference to promote transparency and accountability. **Accepted**	Decisions are discussed and agreed during a Council Sitting. The decisions are recorded in the minutes of the respective Council Sitting.	
	The Council carried out a value-for-money analysis to determine whether to lease or purchase of the motor vehicle.	
	The Council drafted a tender document for the purchase of a low emission crew cab van and a call for tenders was issued.	
	No bids were received following the initial call for tenders. A second call for tenders was issued with an increased Estimated Value of Contract; however, no submissions were received on this occasion either.	
	The Council is discussing the way forward for the leasing or purchasing of a crew cab van for Council office use with the Department for Local Government.	

Recommendations	Action taken/justification	Status
Bylaws currently in effect enacted over two decades ago It is recommended that the Council undertakes a comprehensive review and updates all existing bylaws, particularly those in place for more than 20 years. This review will ensure that bylaws remain relevant, legally enforceable and appropriately reflect current economic, legal and social conditions. **Accepted**	The Mellieħa Local Council, in consultation with its legal advisor, has agreed that the Local Council will be responsible for drafting an updated version of the relevant bye-laws.	 Apr-2027
	The Mellieħa Local Council will form a Revision Committee including legal, administrative, and stakeholder representatives to review and update the bye-laws.	 Apr-2027
	The Local Council gathered all existing bye-laws, previous amendments, and relevant regulations.	
	The Local Council will conduct an initial gap analysis to identify areas needing updates, clarification, or alignment with current legislation.	 Oct-2026
	The Local Council will publish the revised bye-laws via official channels, such as the council website and government gazette.	 Apr-2027

NADUR LOCAL COUNCIL

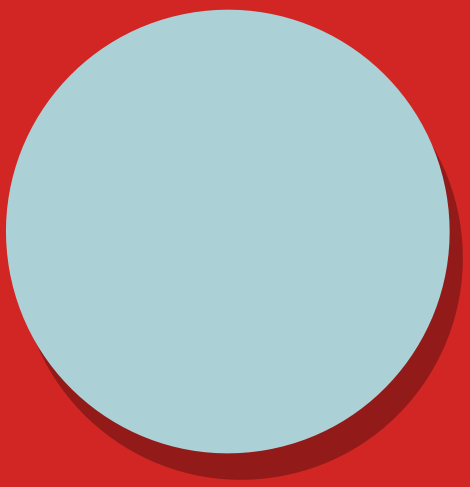
The main scope of this audit was to determine whether the operations of the Nadur Local Council during 2024 were conducted in line with the relevant regulations emanating from the Local Government Act (Cap. 363), as well as with the applicable regulations and guidelines issued by LGD. Moreover, procedures were carried out to establish whether Government resources were used prudently and in a judicious manner.

An analytical review was carried out on the Council's Schedules of Payment for 2024; payments were stratified in accordance with the method of procurement as recorded therein, i.e., tender, quotation, direct order and other routine expenditure. The aggregate payments made to each service provider were also identified to determine their financial significance.

IMPROVEMENT INITIATIVES

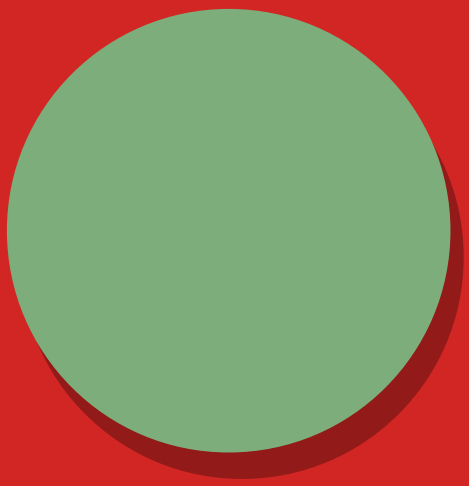
The Council has implemented and strengthened a broad range of governance, procurement, financial management and compliance measures. Procurement controls were enhanced through stricter adherence to thresholds, staff training, procurement planning, internal guidelines, increased use of competitive procedures and stricter controls over direct orders. Payment verification processes, service agreement management, contract registers, expenditure controls, petty cash procedures and financial reporting arrangements have been formalised through guidelines, SOPs and supervisory reviews. Overtime authorisation, recording, verification and payment controls have also been strengthened. Lease and concession agreements were updated and are subject to ongoing monitoring. Twinning activities are being managed within regulatory requirements, supported by an annual plan, expenditure controls and participant contributions to reduce costs. The Council continues to improve budget monitoring through quarterly reviews and variance analysis. Ongoing actions include preparatory work for new tenders, continued compliance monitoring and submission of twinning travel reports. Future actions primarily relate to ensuring timely submission of travel reports and approval of accumulated leave balances.

Recommendations by the NAO 27



Accepted 27

Actions by the Local Council 39



Implemented 39

Recommendations	Action taken/justification	Status
Non-adherence to procurement regulations Effective advance planning is crucial to, as far as possible, identify procurement needs and ensure that the acquisition of goods and services is carried out in a fair and transparent manner, treating all interested suppliers equally, as pronounced in the Local Government (Procurement) Regulations (S.L. 363.186). **Accepted**	The Council has improved its oversight by enforcing compliance with the applicable procurement thresholds and the corresponding procurement procedures by obtaining approvals and collecting more quotations.	
	Staff from the Nadur Local Council are provided with opportunities for training in relation to procurement.	
	The Local Council ensures that a yearly procurement plan is prepared and submitted to the relevant authorities. The plan is reviewed periodically and updated as required.	
	The Council developed internal guidelines governing the procurement process.	
Direct orders are to be resorted to only in exceptional cases, and only after approval from the right level of authority is obtained. **Accepted**	As far as possible, the Local Council is opting for an open tender procedure and calls for quotations. Thus, direct orders are only resorted to in cases of emergency or for a justified reason.	
	In case of a direct order, the Council is ensuring that the required Direct Order Request Form is filled and sent to the Local Government Division.	
Furthermore, all payments are to be supported with sufficient documentation which should be duly verified before the respective payment is approved. **Accepted**	The Council ensures that all payments are supported by adequate and appropriate documentation, including invoices, quotations, and any other relevant supporting records.	
	Prior to approval of payment, all documentation is duly verified to confirm its accuracy, completeness, and validity. This verification is carried out by the responsible officer and is subsequently reviewed by the Executive Secretary to ensure compliance with internal procedures and to mitigate the risk of errors or unauthorised payments.	
	The Council developed guidelines regarding its payment processes, and the required documentation checks and approvals.	

Recommendations	Action taken/justification	Status
To this effect, contracts with service providers are to be duly formalised, clearly outlining the specific rights, responsibilities and obligations of each party. This will also enhance internal controls and prevent potential disputes. **Accepted**	The Local Council's administration and the accountant have identified, updated and signed the required service agreements. Notarial professional expertise were also engaged to finalise these agreements.	
	The Nadur Local Council created a draft agreement template and created a register to track the progress of the service agreements.	
	The Council developed a standard operating procedure (SOP) governing service agreements.	
Moreover, upon expiration of a contract, a fresh procurement process is to be launched, and new contracts are to be entered into or formally renewed if the original call for tender so provided, to ensure that related payments are properly substantiated. **Accepted**	The Local Council maintains a formal register for the monitoring and tracking of contract progress.	
	The Local Council is currently undertaking preparatory work to draw up new tenders.	
Sponsorships and gratuities While in terms of the legislation, Councils are obliged to safeguard the locality's traditions, they are still responsible for exercising caution on expenditure, ascertaining that costs strictly relate to fulfilling their functions, as stipulated in Article 33(1) of the Local Government Act (Cap. 363). This was also reiterated in Circular No. 38/2016 issued by LGD. **Accepted**	The Local Council has updated its guidelines on its spendings based on Circular 38/2016 of the LGD to avoid sponsorships and gratuities. These guidelines are currently in force and being implemented.	
	The Local Council ensures that public funds are not misallocated to sponsorships or gratuities unrelated to its statutory functions by supporting only community non-profit organisations through structured collaborations rather than donations. Furthermore, the Council has limited such collaborations by requiring most cultural events to be fully funded by participants.	

Recommendations	Action taken/justification	Status
Community work scheme oversights: procedural and payment issues Overtime should be clearly justified and used only in exceptional cases. **Accepted**	The Council is ensuring that overtime work is authorised by the Council based on operational needs.	
	The Council has drawn up an SOP governing overtime, covering all stages of overtime, from the initial request until payment.	
Councils must maintain proper records confirming prior authorisation before any overtime is undertaken. As a minimum, records must include the employee's name, the authorising officer, date and time, number of hours requested, justification, and the date of approval. **Accepted**	The Council has established procedures to ensure that pre-authorisation for overtime and attendance records is properly collected and maintained.	
	Authorised overtime is recorded separately from normal attendance and endorsed by the Executive Secretary, ensuring appropriate documentation and a clear audit trail.	
Overtime payments must not be processed without the necessary approvals. **Accepted**	The Council ensures that all overtime sheets are checked and endorsed by the Executive Secretary before any payment is processed. The responsible officers verify prior approval for overtime has been obtained, thereby confirming that such overtime was authorised in accordance with Council procedures. In cases where prior approval is not in place, the Council will withhold payment.	
Performance bonuses are to be processed only after the close of the financial year, ensuring the full period is completed and actual performance is properly assessed before any related payments are issued. **Accepted**	The Local Council has taken the decision to start processing performance bonuses after the close of the financial year, ensuring the full period is completed and actual performance is properly assessed before any related payments are issued.	

Recommendations	Action taken/justification	Status
Gaps in overtime management for direct council staff Councils are to enhance overtime controls by mandating prior authorisation, keeping detailed documentation of work completed and requiring adequate supervisor verification before payment approval. **Accepted**	The Council has established procedures to ensure that pre-authorisation for overtime and attendance records is properly collected and maintained.	
	The Council ensures that all overtime sheets are checked and endorsed by the Executive Secretary before any payment is processed. The responsible officers verify prior approval for overtime has been obtained, thereby confirming that such overtime was authorised in accordance with Council procedures. In cases where prior approval is not in place, the Council will withhold payment.	
Valid concession or lease agreement not always in place Councils are to ensure that all property leased from/to third parties is covered by a formal agreement for the full lease term and accurately reflecting all agreed-upon terms and conditions between the parties. This will help mitigate legal risks, ensure clarity of obligations, and support compliance with internal policies and applicable regulations. **Accepted**	Following discussions with the Lands Authority, the Council updated and formalised all lease and concession agreements.	
	To monitor these agreements, the Council maintains a central register and conducts periodic checks to track expiry dates, renewals, and compliance, enabling the timely identification and resolution of any issues and ensuring proper oversight.	
Concerns in relation to twinning activities Councils must ensure full compliance with the Local Government (Twinning) Regulations (S.L. 363.141). **Accepted**	Twinning activities are being undertaken in line with the Local Government (Twinning) Regulations.	

Recommendations	Action taken/justification	Status
To avoid oversight, reports are to be consistently submitted to the Director (LGD) in a timely manner. **Accepted**	The Council will ensure that travel reports are submitted to the Director (LGD) in a timely manner, in line with the Twinning Regulations. This will be achieved by making participants aware of the reporting requirements and deadlines, so that reports are prepared and submitted promptly.	
Moreover, careful planning and monitoring of twinning activities is pertinent to ascertain that the associated financial commitments do not exceed the thresholds set by the cited regulations within any calendar year. This should involve the development of an annual plan for twinning activities, close tracking of related expenditure, and periodic reviews to assess cumulative financial impact. **Accepted**	An annual plan for twinning activities has been developed, outlining planned events and associated financial commitments, which are carefully monitored throughout the year to ensure proper budgetary control.	
	The Council has taken the decision to reduce its twinning activities in line with the regulations.	
	The Council introduced a participants fee in any twinning events organised and thus have managed to reduce the expenses related to twinning.	
Expenditure related to twinning arrangements is to be reasonable and clearly aligned with the objectives of the agreement. Such measures will help prevent overspending, ensure compliance with budgetary limits, and support the sustainable management of twinning initiatives. **Accepted**	The Council ensures that expenditure related to twinning arrangements is reasonable and aligned with the objectives of each twinning agreement by limiting activities to essential events and requiring participants to contribute a participation fee.	

Recommendations	Action taken/justification	Status
Shortcomings in petty cash expenditure Petty cash is to be managed efficiently and effectively in accordance with the Local Government (Financial) Regulations (S.L. 363.01). All petty cash vouchers are to be signed by the purchaser, whilst petty cash summaries are to include all necessary information to ascertain no payments are omitted or double posted. **Accepted**	The Local Council has arrangements in place to ensure appropriate authorisation and documentation of petty cash transactions, including independent approval, signed acknowledgements, and periodic review of supporting records.	
	The Executive Secretary is reconciling the petty cash expenditure with the fiscal receipt. To ensure that an adequate audit trail is maintained, the fiscal receipts are being itemised.	
	The Council developed an SOP governing its petty cash processes.	
Moreover, to strengthen accountability and transparency, the Council is to establish a policy whereby procurement through vendors who issue itemised fiscal receipts becomes the norm rather than the exception. **Accepted**	A procedure has been introduced and is already being applied, requiring staff to prioritise purchases from vendors who issue itemised fiscal receipts for all transactions. This ensures that all procurement is properly documented and compliant with fiscal requirements.	
Inconsistencies in the schedules of payment More diligence is to be exercised when compiling the respective Schedules of Payment. This will ensure transparency, reliability and comparability. **Accepted**	The Council is exercising an improved way to prepare the Schedule of payments by compiling, checking and reviewing the Schedule of payments.	

Recommendations	Action taken/justification	Status
Delays in uploading statutory documentation on the council's website Timely and accurate financial reporting is critical for informed decision-making, effective management of public funds, and transparency. Accordingly, Councils are to acknowledge the importance of these reporting tools. Thus, it is incumbent upon the ES to ensure the timely publication of statutory documents as directed by LGD. **Accepted**	The Council has put in place processes to support timely and accurate financial reporting. This includes advance planning and coordination by the Executive Secretary to ensure statutory documents are published within the timelines set by the Local Government Division.	
Compliance gaps in tender management: hire and operation of plant and machinery and supply of ready-mix concrete In exceptional circumstances, when additional services beyond those specified in the original bid form are required, these have to be approved through appropriate procurement channels and formally documented. Furthermore, adequate records, particularly for human resource support services, must be maintained to support the invoiced amounts. **Accepted**	The Council is ensuring that any additional services required beyond the original bid are approved through the appropriate procurement channels and formally documented in line with tender conditions. Relevant approvals and supporting documentation, including detailed invoices for human resource services, will be retained to ensure transparency and an adequate audit trail.	

Recommendations	Action taken/justification	Status
Organisation of various events by the council In the planning and execution of events, the Council is expected to strictly adhere to the amounts granted through the respective schemes or financial thresholds and to exercise due diligence in the management of public funds. **Accepted**	The Council has refined its activities to ensure expenditure remains within approved allocations, with a focus on full funding where possible and prudent financial management. This approach, discussed with the DLG, includes reducing and restructuring event-related costs, increasing funding support for key events, securing sponsorships, and introducing participant contributions where appropriate.	
Events should be limited to those that clearly fall within the Council's defined core functions, and associated expenditure must be kept to the barest minimum necessary to achieve the intended objectives. This approach will ensure fiscal discipline and alignment with the principle of responsible public financial management. **Accepted**	The Council has been refocusing its activities on its core functions, with an emphasis on securing full funding for most initiatives and maintaining expenditure at prudent levels through careful planning, prioritisation, and budgetary monitoring.	
Unutilised vacation leave Accumulation of unutilised vacation leave is to be approved in accordance with the Local Government (Human Resources) Regulations (S.L. 363.20), prior to the end of the year to which the unused leave pertains. This will prevent unauthorised accumulation of leave beyond the allowable period. **Accepted**	Accumulation of unutilised vacation leave will be confirmed and approved accordingly by the Local Council and abiding by HR regulations.	

Recommendations	Action taken/justification	Status
Budgeted expenditure exceeded The Council is to perceive the annual budget as a tool: (i) for financial control; (ii) to track income and expenses; (iii) as goal achievement. Hence, budgets are to be compiled with due diligence and not simply considered as a formality. **Accepted**	The Council regards the budget as a key performance management tool and reviews it on a quarterly basis. The budget is prepared using prior actual figures and inflationary considerations, providing a sound basis for quarterly performance comparison. Adjustments are made as required.	
Moreover, budgeted and actual figures are to be compared on a quarterly basis, thereby identifying the variances and seeking the necessary explanations. **Accepted**	Nadur Local Council reviews its budget on a quarterly basis, comparing budgeted and actual figures. Identified variances are examined to support informed financial decision-making, with the budget developed using prior actuals and inflationary considerations as a baseline.	
When it is established that the conditions changed materially from those forecasted, or the original assumptions were no longer valid, the budget should be updated. This will avoid budget overruns from materialising at the end of the reporting period. **Accepted**	The Council reviews its budget on a quarterly basis, comparing budgeted and actual figures. Where circumstances change materially, the budget is updated accordingly, with variances reviewed to support expenditure within approved allocations.	

XGĦAJRA LOCAL COUNCIL

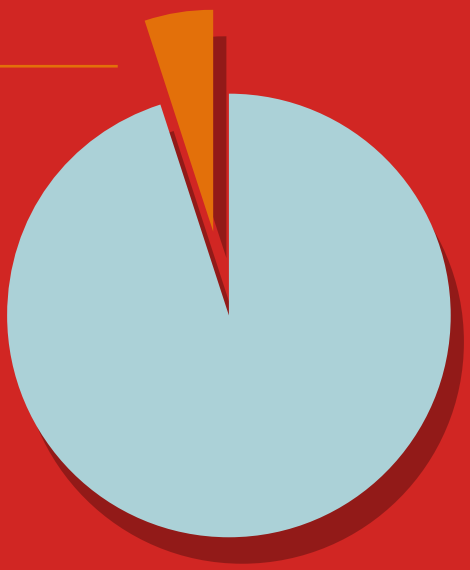
The main scope of this audit was to determine whether the operations of the Xgħajra Local Council during 2024 were conducted in line with the relevant regulations emanating from the Local Government Act (Cap. 363), as well as with the applicable regulations and guidelines issued by LGD. Moreover, procedures were carried out to establish whether Government resources were used prudently and in a judicious manner.

An analytical review was carried out on the Council's Schedules of Payment for 2024; payments were stratified in accordance with the method of procurement as recorded therein, i.e., tender, quotation, direct order and other routine expenditure. The aggregate payments made to each service provider were also identified to determine their financial significance.

IMPROVEMENT INITIATIVES

The Council has implemented and strengthened a range of procurement, financial management, contract administration and governance controls. Procurement planning has been formalised through an annual procurement plan, while direct orders are subject to documented approvals and Council oversight. Controls over quotations, payments and supporting documentation have been reinforced through verification procedures and Council review. Formal contracts, contract databases and monitoring mechanisms have been established to improve contract management and forward planning. Measures to prevent the misallocation of public funds and strengthen expenditure controls have been introduced. Lease and concession agreements have been regularised and are actively monitored. Petty cash procedures, fiscal receipt controls, payment schedules, statutory publication requirements and supplier compliance measures have been enhanced through documented processes and supervisory checks. Performance bonus arrangements and agreements with the Community Worker Scheme have been formalised. Ongoing actions include obtaining compliance for the Sports Complex facility, ensuring supplier compliance with VAT requirements and continued submission of quarterly reports to MTCA.

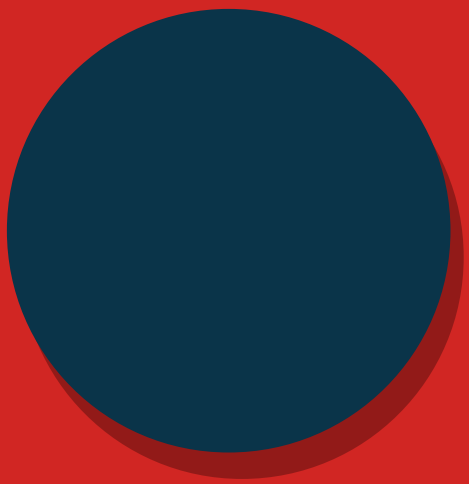
Recommendations by the NAO 20



Partially accepted 1

Accepted 19

Actions by the Local Council 27



Implemented 27

Recommendations	Action taken/justification	Status
Non-adherence to procurement regulations Effective advance planning is crucial to, as far as possible, identify procurement needs and ensure that the acquisition of goods and services is carried out in a fair and transparent manner, treating all interested suppliers equally, as pronounced in the Local Government (Procurement) Regulations (S.L. 363.186). **Accepted**	The Local Council prepared a formal annual procurement plan and submitted to the Local Government Division (LGD).	
Direct orders are to be resorted to only in exceptional cases, and only after approval from the right level of authority is obtained. **Accepted**	Through the adoption of a procurement plan, the Local Council is better positioned to plan its expenditure in advance, thereby ensuring that direct orders are resorted to only in exceptional circumstances.	
	The Local Council ensures that all direct orders are approved by the appropriate level of authority before they are issued. Any request for a direct order is first presented to the Financial Committee and subsequently endorsed by the Council, in line with the applicable approval thresholds. No direct order is issued unless prior authorisation is documented and minuted, ensuring full compliance with procurement regulations.	
Furthermore, all payments are to be supported with sufficient documentation which should be duly verified before the respective payment is approved. **Accepted**	The Council presents and discusses all quotations during Council meetings, providing the adequate documentation and approves accordingly.	
	The Council compares the invoice with the purchase order and schedule of payments to ensure that all the required documentation is in place before approving payment.	
To this effect, contracts with service providers are to be duly formalised, clearly outlining the specific rights, responsibilities and obligations of each party. This will also enhance internal controls and prevent potential disputes. **Accepted**	The Local Council is ensuring that all service providers are engaged through formal contracts, clearly establishing the timeframe for service delivery, as well as the rights, responsibilities, and obligations of each party.	

Recommendations	Action taken/justification	Status
Moreover, upon expiration of a contract, a fresh procurement process is to be launched, and new contracts are to be entered into or formally renewed if the original call for tender so provided, to ensure that related payments are properly substantiated. **Accepted**	The Council has established a database to record and monitor all contracts currently in force, ensuring that Council staff starts preparatory work at least one year before the expiry of the contract.	
Sponsorships and gratuities While in terms of the legislation, Councils are obliged to safeguard the locality's traditions, they are still responsible for exercising caution on expenditure, ascertaining that costs strictly relate to fulfilling their functions, as stipulated in Article 33(1) of the Local Government Act (Cap. 363). This was also reiterated in Circular No. 38/2016 issued by LGD. **Accepted**	The Council is adhering to relevant regulations and directives to mitigate the risk of misallocation of public funds, including the cessation of sponsorships and the strengthening of controls over expenditure.	

Recommendations	Action taken/justification	Status
Community work scheme oversights: procedural and payment issues Overtime should be clearly justified and used only in exceptional cases. Councils must maintain proper records confirming prior authorisation before any overtime is undertaken. As a minimum, records must include the employee's name, the authorising officer, date and time, number of hours requested, justification, and the date of approval. Overtime payments must not be processed without the necessary approvals. **Accepted**	No overtime is required in the Xgħajra Local Council. However, if the need for overtime arises, the Council will record all relevant details, including the employee's name, date and time, hours worked, justification, and the date of approval by the Executive Secretary. Any overtime without prior authorisation would not be permitted.	
Allowances for workers engaged through the scheme are also to be discussed with and approved by LGD before these are officially granted. Such allowances should be time-bound and must not exceed the contract's expiry date. **Accepted**	The agreement between the Local Council and the Community Worker Scheme (CWS) provides for the payment of a fixed monthly allowance to the employee in respect of additional duties. This arrangement was discussed and agreed with both the Local Government Division and the CWS.	
	The agreements between the Xgħajra Local Council and the CWS have been duly signed by the Mayor, the Executive Secretary, and the Head of the CWS.	
	The amended agreements, incorporating updated expiry dates, have been drawn up and signed to ensure that allowances are not granted beyond the contract expiry.	

Recommendations	Action taken/justification	Status
Performance bonuses are to be processed only after the close of the financial year, ensuring the full period is completed and actual performance is properly assessed before any related payments are issued. **Accepted**	The Council ensures that performance bonuses are processed only following the close of the financial year. Bonuses are assessed based on full-year performance and are discussed between the Mayor and the Executive Secretary prior to approval, thereby ensuring payment is effected only after appropriate review and evaluation.	
Gaps in overtime management for direct council staff Councils are to enhance overtime controls by mandating prior authorisation, keeping detailed documentation of work completed and requiring adequate supervisor verification before payment approval. **Accepted**	The Council is not accepting or registering overtime. Should the need for overtime arise, the Council will record all relevant details, including the employee's name, date and time, hours worked, justification, and the date of approval by the Executive Secretary. Any overtime without prior authorisation would not be permitted.	

Recommendations	Action taken/justification	Status
Valid concession or lease agreement not always in place Councils are to ensure that all property leased from/to third parties is covered by a formal agreement for the full lease term and accurately reflecting all agreed-upon terms and conditions between the parties. This will help mitigate legal risks, ensure clarity of obligations, and support compliance with internal policies and applicable regulations. **Accepted**	The Council has established formal agreements covering the full lease term for properties leased from and to third parties. In respect of properties leased from third parties, the Council holds a public notarial agreement for its premises, as well as contracts with the Lands Department for the devolution of another premises. With regard to leases granted to third parties, an agreement is in place for the multipurpose hall following the issuance of a public concession.	
	All the terms and conditions are accurately reflected in the formal agreements.	
	The Council monitors lease and concession agreements by ensuring that monthly payments are made regularly.	
	The Council obtained acceptance from the Planning Authority for the Xgħajra Sports Complex Hall (Facility) and garden in its current state. Following this acceptance the Council will seek to obtain compliance.	
Shortcomings in petty cash expenditure Petty cash is to be managed efficiently and effectively in accordance with the Local Government (Financial) Regulations (S.L. 363.01). All petty cash vouchers are to be signed by the purchaser, whilst petty cash summaries are to include all necessary information to ascertain no payments are omitted or double posted. **Accepted**	The Council is keeping detailed documentation of petty cash expenditure in physical files. Clear descriptions and legible supporting receipts are retained for all payments.	
	Petty cash items are settled through reimbursement to the purchaser. The Council has updated its petty cash reimbursement template to require the signature of the individual receiving the refund, which is to be obtained prior to the issuance of the reimbursement. The Executive Secretary approves and signs for petty cash expenditure. In cases where the receipt does not provide sufficient detail on the items acquired, a petty cash voucher is completed to document the goods purchased.	
	Checks are carried out by requiring purchased items to be presented prior to the processing of the petty cash voucher and the issuance of the refund.	

Recommendations	Action taken/justification	Status
Moreover, to strengthen accountability and transparency, the Council is to establish a policy whereby procurement through vendors who issue itemised fiscal receipts becomes the norm rather than the exception. **Accepted**	The Council ensures that a detailed list of all items purchased is prepared when an itemised fiscal receipt is not provided by the vendor. In such cases, the items purchased are verified with the officer concerned and recorded on the petty cash voucher. The petty cash voucher is subsequently endorsed by the officer and processed for reimbursement.	
Inconsistencies in the schedules of payment More diligence is to be exercised when compiling the respective Schedules of Payment. This will ensure transparency, reliability and comparability. **Accepted**	The Council issues its Schedule of Payments on a monthly basis, with verification procedures carried out prior to publication.	
Delays in uploading statutory documentation on the council's website Timely and accurate financial reporting is critical for informed decision-making, effective management of public funds, and transparency. Accordingly, Councils are to acknowledge the importance of these reporting tools. Thus, it is incumbent upon the ES to ensure the timely publication of statutory documents as directed by LGD. **Accepted**	The Local Council is uploading statutory documentation on its website in accordance to the timelines set by the LGD.	

Recommendations	Action taken/justification	Status
Payments not covered by fiscal receipts The Council should ensure all paid suppliers issue fiscal receipts in compliance with VAT regulations. **Accepted**	The Local Council is taking steps to ensure that all paid suppliers issue fiscal receipts in line with VAT regulations by issuing formal reminders, including deadlines, to obtain any outstanding VAT receipts in accordance with the applicable regulations.	
If a supplier fails to comply, future purchases should be suspended until the issue is resolved. **Accepted**	The Council suspends further purchases when a supplier fails to issue a fiscal receipt.	
Additionally, the Council is to submit quarterly reports to MTCA listing non-compliant suppliers. **Accepted**	The Council is submitting quarterly reports to MTCA.	

Recommendations	Action taken/justification	Status
Absence during council's meetings In line with LGD Circular No. 22/2019, as well as Article 18 of the Local Government Act (Cap. 363), all absences from Council meetings are to be invariably supported by an apology letter, sent to the ES ahead of the meeting, and including a valid justification for the absence. The letter is then to be brought to the attention of the Council by the ES during the pertinent meeting to agree whether the reason provided was valid or otherwise. **Partially accepted**	The Local Government Act does not oblige the councillor to provide a justification for being absent from council meetings. LGD will amend the circular No. 22/2019 to be in line with the Local Government Act.	 Oct-2026
Quorum not reached The minutes should serve as an official record, capturing the fact that the meeting was scheduled but could not proceed. This ensures there is a clear history of the meeting's intended agenda and the reason for its postponement, thus enhancing good governance. **Accepted**	The Council has confirmed that, although this occurred on a single occasion, measures have been put in place to ensure that the intended agenda and any reasons for postponement are consistently recorded in the Council meeting minutes.	

LIST OF ABBREVIATIONS

AACC	Active Ageing and Community Care
ACM	Arts Council Malta
AFM	Armed Forces of Malta
AI	Artificial Intelligence
BCA	Building and Construction Authority
BMU	Bed Management Unit
BoQ	Bill of Quantities
BPR	Business Process Re-engineering
CAA	Climate Action Authority
CC	Credit Control
CEDMS	Corporate Electronic Document Management System
CEO	Chief Executive Officer
CfR	Commissioner for Revenue
CIO	Chief Information Officer
CoD	Change of Duty
CPD	Civil Protection Department
CPSU	Central Procurement and Supplies Unit
CPU	Central Procurement Unit
CRA	Carer's Allowance
CRG	Carer's Grant
CRM	Customer Relationship Management
CRPD	Commission for the Rights of Persons with Disability
CSA	Correctional Services Agency
CV	Curriculum Vitae
CWS	Community Worker Scheme
DCS	Director Corporate Services
DEH	Director of Environmental Health
DES	Department for Educational Services
DFA	Department of Fisheries and Aquaculture
DLG	Department or Local Government
DoC	Department of Contracts
DQSE	Directorate for Quality and Standards
DSS	Department of Social Security
EPC	Energy Performance Certificate

ERPS	Enterprise Resource Planning System
ES	Executive Secretary
EU	European Union
EWA	Energy and Water Agency
FM	Festivals Malta
FMB	Finance Management Branch
FMS	Fleet Management System
FSWS	Foundation for Social Welfare Services
FTS	Foundation for Tomorrow School
GAT	Geriatric Assessment Team
GCTJV	Gozo Channel Transport Joint Venture
GDPR	General Data Protection Regulation
GGH	Gozo General Hospital
GP	General Practitioner
HM	Heritage Malta
HO	Head Office
HoS	Head of School
HR	Human Resources
HRM	Human Resources Management
HSF	Hard Standing Facility
HSOC	High Standards of Compliance
IAB	Internal Audit Board
ICO	Inspections Coordination Office
ICRA	Increased Carer's Allowance
IM	Infrastructure Malta
IMF	International Monetary Fund
IMU	Information Management Unit
IOM	Inter-Office Memorandum
IPA	International Protection Agency
IPS	Institute for the Public Service
IQA	Internal Quality Assistance
IRU	Internal Relations Unit
IT	Information Technology
ITCAS	Integrated Automated Tax and Customs Administration System
ITS	Institute of Tourism Studies

JEMS	Joint Electronic Monitoring System
KPI	Key Performance Indicator
LA	Lands Authority
LEMIS V2	Land and Estate Management Information System
LESA	Local Enforcement Systems Agency
LGD	Local Government Division
LRA	Land Registration Agency
LSA	Labour Supply Agreement
LSF	Lino Spiteri Foundation
MAFA	Ministry for Agriculture, Fisheries and Animal Rights
MAM	Medical Association of Malta
MCAST	Malta College of Arts, Science and Technology
MCC	Mediterranean Conference Centre
MCLG	Ministry for Culture, Land, and Local Government
MDH	Mater Dei Hospital
MEEC	Ministry for the Environment, Energy and Public Cleanliness
MEEP	Ministry for the Economy, Enterprise and Strategic Projects
MEYR	Ministry for Education, Youth, Sport, Research and Innovation
MFA	Malta Food Agency
MFC	Malta Film Commission
MFE	Ministry for Finance and Employment
MFIN	Ministry for Finance
MFT	Ministry for Tourism
MGI	Malta Government Investments Limited
MGP	Ministry for Gozo and Planning
MHA	Ministry for Health and Active Ageing
MHS	Mental Health Services
MHSE	Ministry for Home Affairs, Security and Employment
MICAS	Malta International Contemporary Art Space
MIMCOL	Malta Investment Management Company Limited
MITA	Malta Information Technology Agency
MIV	Ministry for Inclusion and the Voluntary Sector
MNCA	Malta National Co-ordination Authority
MOC	Malta Olympic Committee

MoU	Memorandum of Understanding
MPWP	Ministry for Public Works and Planning
MSPC	Ministry for Social Police and Children Rights
MTA	Malta Tourism Authority
MTCA	Malta Tax and Customs Administration
MTIP	Ministry for Transport, Infrastructure, and Public Works
MUMN	Malta Union for Midwives and Nurses
NAO	National Audit Office
NGO	Non-Governmental Organisations
NSS	National Sport School
OCVO	Office of the Commissioner for Voluntary Organisations
OPM	Office of the Prime Minister
OPSA	Old Persons Standards Authority
P&SD	People and Standards Division
PA	Planning Authority
PBS	Public Broadcasting Services Ltd
PCD	Ports Commercial Directorate
PHC	Primary Health Care
POMA	Protection of Minors Application
POYC	Pharmacy Of Your Choice
PPR	Public Procurement Regulations
PRO1	Property Locator Application Form
PS	Permanent Secretary
PSMC	Public Service Management Code
PSO	Public Service Obligation
PSP	Public Social Partnership
PTR	Pjazza Teatru Rjal
PWD	Public Works Department
REWS	Regulator for Energy and Water Services
RFQ	Request for Quotation
RSSL	Resource Support and Services Limited

SABS	Is-Sistema għall-Amministrazzjoni tal-Benefiċċji Soċjali
SAMB	State Aid Monitoring Board
SAMOC	Sir Anthony Mamo Oncology Centre
SAS	Statistical Analysis Rules System
SCO	Simplified Cost Options
SMS	Short Message Service
SOP	Standard Operating Procedure
SPD	Sectoral Procurement Directorate
SPH	Superintendence for Public Health
SVPR	Saint Vincent de Paul Residence
TB1	Transfer Back of Properties Online Form
TCNs	Third-Country Nationals
TM	Transport Malta
TSI	Technical Support Instrument
UM	University of Malta
VAT	Value Added Tax
VO	Voluntary Organisations
VRA	Vulnerability Risk Assessments
VTS	Vehicle Tracking System