



GOVERNANCE ACTION

**on the NAO's Annual Report
on Public Accounts 2018 and other
NAO reports 2019**



OFFICE OF THE PRINCIPAL PERMANENT SECRETARY
OFFICE OF THE PRIME MINISTER

GOVERNANCE ACTION
*on the NAO's Annual Report on Public Accounts 2018
and other NAO reports 2019*

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FOREWORD

It has now become a custom for me to present, on separate instances, the two annual Governance Action reports published by the Public Administration. These reports emphasise the Public Administration's determined commitment to ensure that its internal governance framework and operations meet the high standards expected of them.

Meeting these high standards and achieving excellence has been a hallmark objective of the Public Administration for these past few years, and I am pleased to note that the quest to achieve excellence has not been limited solely to service delivery, but has also extended to other areas—in this case, to governance.

Whilst we have invested heavily in this commitment to achieve excellence, it is thanks to the oversight and feedback received by our external stakeholders that we can gauge our success and define our main weaknesses as perceived or experienced by our customers.

This is now our fifth publication outlining how the Public Administration is implementing recommendations ensuing from the National Audit Office on the management of national public monies and other performance and investigative audits carried out in 2019.

The advent of the COVID-19 pandemic necessitated deviations in how we carried out the follow-up verification. In fact, whereas in previous years the Internal Audit and Investigations Department (IAID) were tasked to carry out verification through on-site visits, this time round we had to work within the constraints brought about by the pandemic.

Therefore, management replies were subjected to a desk-based consulting activity carried out by the IAID, and actions intended to address recommendations, add value, and improve an organisation's operations were agreed upon with the management. As part of this task, IAID provided facilitation services and participated in closure meetings. During these meetings, in-depth discussions were held with respect to feedback given by the management to the recommendations put forward by the Auditor General.

The other deviation concerned the exclusion of the four audits concerning the Ministry for Health, and the audit with respect to the Police (Ministry for Home Affairs, National Security and Law Enforcement) from the present NAO follow-up exercise, as these entities are on the frontline and heavily engaged in the effort to contain and manage the pandemic. Follow-up on these audits will be carried out in the next cycle.

The NAO Annual Report (Public Accounts) 2018 has once again provided the Public Administration with an invaluable assessment that helps not only to better gauge the progress achieved so far, but also to qualify this progress against weaknesses that remain. Indeed, the regular NAO audits and reporting and, critically, the Annual Report on Public Accounts, represent an invaluable resource for the Public Administration.

This report lists all recommendations for improvement that the Office of the Auditor General has presented in the latest Annual Report. For each recommendation we identified the actions that will best target it, and we are presenting with utmost transparency the status of implementation of each action.

While in the first Governance Action Report of this series I had observed and commented on the need to change the mentality of “anything goes”, today I am satisfied to note that the Public Administration is implementing over 84% of recommendations and this is attested by the NAO itself in the Follow-Up Report by the NAO published June 2020.

As a reminder, I quote from the press release issued to launch that first report:

“It all started some four years ago when, upon taking office, I was presented with a substantial number of audit and other investigative reports covering the Public Administration that were finalised prior to 2013. What stood out as a common denominator was the lack of any follow-up, not to mention the implementation of the recommendations contained therein. Amongst these reports there were also those by the National Audit Office.”

Our heavy investment in strengthening our structures and institutions coupled with the determined drive for a culture shift towards proactivity, accountability, transparency, and a commitment to excellence, is reaping results. As documented by the OECD, “a robust control system, comprising effective internal control, risk management and audit, is fundamental to better governance, safeguarding of taxpayers’ money, and to preserving public trust.” The fact that around 80% of the actions addressing recommendations in the NAO Annual Report 2018 are already implemented, and that 84% of all recommendations from previous years have been consistently implemented, is simply the fruit of this investment. We have invested strongly to centrally oversee and ensure that opportunities for improvement are not left by the wayside but fully seized. Today the Public Administration is being proactive, leading to a reduction in central prodding.

The intended culture shift is being attained by design: People may change, but the internal values, culture, and structure of the Public Administration give permanence and are the guarantee for continuity.

I strongly appreciated the NAO’s positive assessment of this effort and the progress achieved so far. I especially appreciated the Auditor General’s comment on examples of good practice his Office has noted during the year of reporting. In fact, in the NAO’s Annual Report on Public Accounts 2018, more than one instance of good practice was pointed out:

for example, both the Engineering Resources Ltd (ERL) and the Environment Resources Authority (ERA) were commended on their sound operations.

My optimistic tone does not denote a weakening of our drive and commitment to continually improve. This has been a challenging year on many fronts. I am proud and commend the Public Administration for the professional, competent, and effective way in which it has faced and handled these challenges.

We continue to invest and consolidate our structures and strengthen our internal policies and operations. Today we are better structured, organised, and equipped to ensure that individual performance targets are matched with the drive for excellence, transparency, and accountability.

Furthermore, as attested in this report, there were instances where the Public Administration was in disagreement with the observations, conclusions, or even the recommendations made by the NAO. This is not a criticism of the Auditor’s sterling work. It is frequently the result of a divergent perspective. Attesting to the commitment to transparency and accountability, the Public Administration did not shy away from reporting on these elements.

On the contrary, we point to the existing divergence in opinion but do not stop there. Our drive for excellence requires that we state what course of alternative corrective action we have or plan to take. This is being transparent. This is being accountable. I firmly believe that these instances can be minimised by fostering a positive and collaborative relationship with the national parliamentary offices of external scrutiny. I look forward to further strengthening the positive relationship we have with the Auditor General and the Deputy Auditor General, and to mirror such a relationship with the other parliamentary offices.

In presenting this invitation, I believe that there is another important factor to consider.

Over time, both the Public Administration and the Office of the Auditor General have invested heavily to perform better. We have matured, and with this maturity we now have the capability to focus on and address more complex and challenging matters. In this process, a more open and collaborative exchange of ideas and discussions is key.

I conclude by thanking the National Audit Office for its assessments. As I said earlier, they represent an invaluable resource to the Public Administration. I also wish to thank all those public officers who have directly and indirectly contributed to the compilation of this report. It provides testimony to the Public Administration's continued efforts to leave no stone unturned in its quest to improve and excel.

Lastly, I wish to commend the efforts of lead officials across the Public Administration. Your leadership is ensuring that we achieve a culture shift, placing at its core the principles of transparency, accountability, and excellence. Your proactive approach has allowed us to already attain the 84% mark for recommendations being implemented. It is an impressive statistic, but we cannot stop there.

The investment in structures, policies, and procedures provides a guarantee for the future.

MARIO CUTAJAR

Principal Permanent Secretary

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LIST OF ABBREVIATIONS

AP	Age Pension
ARB	Asset Recovery Bureau
CA	Contracting Authority
CAP	Chapter
CCF	Corradino Correctional Facility
CCFC	Central Cooperatives Fund Committee
CCTV	Closed-Circuit Television
CEO	Chief Executive Officer
CFMS	Corporate Financial Management System
CPSU	Central Procurement and Supplies Unit
CSA	Court Services Agency
CSA	Correctional Services Agency
CVU	Central Visa Unit
CWS	Community Work Scheme
CWSE	Community Work Scheme Enterprise
DC	Department of Contracts
DDLTS	Directorate for Digital Literacy & Transversal Skills
DG(ISC)	Director General (Income Support & Compliance)
DG(SS)	Director General (Social Security)
DG (SS)	Director General (Support Service)
DO	Direct Orders
DSS	Department of Social Security
e-PPS	Electronic Public Procurement System
ERA	Environment and Resources Authority
ERD	Education Resources Directorate
ERL	Engineering Resources Limited
EU	European Union
FSWS	Foundation for Social Welfare Services
GWU	General Workers Union
HO	Head Office
HR	Human Resources
IAID	Internal Audit and Investigations Department
IIP	Individual Investor Programme
IMU	Information Management Unit
IRU	International Relations Unit
IT	Information Technology

LECAM	Legal Case Management
LEP	Locally Engaged Personnel
LSA	Learning Support Assistant
MBO	Malta Based Officer
MCAST	Malta College of Arts, Science & Technology
MEAE	Ministry for European Affairs and Equality
MECP	Ministry for the Environment, Climate Change and Planning
MEDE	Ministry for Education and Employment
MESDC	Ministry for the Environment, Sustainable Development and Climate Change
MEW	Ministry for Energy and Water Management
MFCS	Ministry for the Family, Children's Rights and Social Solidarity
MFEA	Ministry for Foreign and European Affairs
MFH	Ministry for Health
MFIN	Ministry for Finance and Financial Services
MFTP	Ministry for Foreign Affairs and Trade Promotion
MGOZ	Ministry for Gozo
MG2I	MCAST Gateway to Industry
MHAL	Ministry for the National Heritage, the Arts and Local Government
MHAS	Ministry for Home Affairs and National Security
MHSE	Ministry for Home Affairs, National Security and Law Enforcement
MIIPA	Malta Individual Investor Programme Agency
MIMCOL	Malta Investment Management Company Limited
MITA	Malta Information Technology Agency
MJCL	Ministry for Justice, Culture and Local Government
ML	Malta Libraries
MOT	Ministry for Tourism
MOU	Memorandum of Understanding
MPF	Malta Police Force
MRVP	Malta Residence and Visa Programme
MT	Manoel Theatre
MTA	Malta Tourism Authority
MTCP	Ministry for Tourism and Consumer Protection
MTIP	Ministry for Transport, Infrastructure and Capital Projects
NAO	National Audit Office
NGO	Non-Government Organization
OCVO	Office of the Commissioner for Voluntary Organisations
OHSA	Occupational Health and Safety Authority
OPM	Office of the Prime Minister
OPR	Office of the President of the Republic
ORC	Office of the Refugee Commissioner

PML	Projects Malta Limited
PPR	Public Procurement Regulations
PS	Permanent Secretary
PSP	Public Social Partnership
Q1	Quarter one
Refcom	The Office of the Refugee Commissioner
SCSA	Social Care Standards Authority
SOP	Standard Operating Procedure
SPE	Social Purpose Entities
TR	Treasury
VAT	Value Added Tax
VCA	Valletta Culture Agency
VFS	VFS GCC LLC Global
VMS	VISA Management System
VO	Voluntary Organistaion
WAN	Wide Area Network



**FOLLOW-UP ACTION ON
THE NAO ANNUAL REPORT 2018**



OPM
INDIVIDUAL INVESTOR PROGRAMME - REVENUE
(NOW UNDER THE MINISTRY FOR HOME AFFAIRS, NATIONAL
SECURITY & LAW ENFORCEMENT)

OPM

Individual Investor Programme – Revenue (Now under the Ministry for Home Affairs, National Security & Law Enforcement)

The Malta Individual Investor Programme Agency (MIIPA) was established by virtue of Legal Notice 96 of 2018 – Public Administration Act (Cap. 497) to execute functions and duties of public administration relating to the Individual Investor Programme (IIP) of the Government of Malta. Essentially, it is responsible for the processing of applications, the carrying out of an in-depth due diligence process, and putting forward recommendations to the government regarding the granting of citizenship or otherwise.

The purpose of the NAO audit was to assess whether the necessary controls were in place to ensure that the revenue collected from the IIP was appropriately accounted for and duly received by the Government of Malta in line with the regulating provisions, thus ensuring compliance and completeness.

The NAO satisfactorily noted that the income due to the government from the Individual Investor Programme (IIP), relating to the applications sampled for the purpose of this review, was traced to the accounting records. However, the MIIPA was not equipped with a comprehensive information communications technology system to manage applications and facilitate its functions.

Follow-up Action

To address the NAO's concerns relating to the absence of an automated system, the MIIPA procured an IT system, which is presently fully operational. The IT system has been designed to allow for flexibility to cater for any future changes in regulations. Complementary to the IT system, the MIIPA provided training to its employees. By end September 2020, all internal controls at the MIIPA and the processes involved will be documented in the form of SOPs. The management will ensure compliance.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

<p>Absence of an Automated System</p> <p>Management is to ensure that sound internal controls and a complete audit trail are implemented within the revenue recording process. In this respect, the use of spreadsheets is to be, as far as possible, avoided.</p> <p>Considering the data sensitive applications and the substantial income generated therefrom, the establishment of a robust system encompassing a complete audit trail is to be given priority. To this effect the MIIPA, in collaboration with the pertinent authorities, is encouraged to take a decision on the best way forward without undue delay.</p>	<p style="text-align: center;">✓</p>		<p>The newly procured IT system is fully operational.</p> <p>User testing was carried out to ensure completeness and accuracy of records and reporting, this while ensuring that the necessary audit trail is provided through the system.</p> <p>The MIIPA provided training on the IT system to its employees. The IT system has been designed to allow for flexibility to cater for any future changes in regulations.</p> <p>MIIPA is to ensure that all its internal controls and the processes involved are documented in the form of SOPs. The management is to ensure compliance.</p> <p>The newly procured IT system is fully operational.</p> <p>User testing was carried out to ensure completeness and accuracy of records and reporting, this while ensuring that the necessary audit trail is provided through the system.</p> <p>The MIIPA provided training on the IT system to its employees. The IT system has been designed to allow for flexibility to cater for any future changes in regulations.</p> <p>MIIPA is to ensure that all its internal controls and the processes involved are documented in the form of SOPs. The management is to ensure compliance.</p> <p>The accounts are checked by the internal finance team and overseen by an accountant from MIMCOL. The necessary reconciliations will continue to be carried out with the Departmental Accounting System.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>September 2020</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>September 2020</p> <p>Ongoing</p>
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MEIB
MALTA INVESTMENT MANAGEMENT COMPANY LIMITED -
INVENTORY & TRANSPORT EXPENDITURE

MEIB

Malta Investment Management Company Limited – Inventory & Transport Expenditure

The Malta Investment Management Company Limited (MIMCOL) was set up in 1988. Its main aim is to rationalise the portfolio of investments held by the government. Nowadays, it offers strategic management services, restructuring and privatisation, human resources guidance, as well as a wide range of financial services. MIMCOL is also the technical advisor to the subsidiaries of the Malta Government Investments Limited and the consultancy arm of the Cabinet of Ministers and other agencies.

The purpose of the NAO audit was to verify whether internal controls over inventory management were adequate, and that government resources utilised for transport expenses were used prudently and in a judicious manner.

Follow-up Action

To address the issues relating to inventory, MIMCOL has drawn up an internal policy on inventory management that is in line with MF Circular No. 14/99. MIMCOL will ensure that the Fixed Asset Register is being kept up to date.

MIMCOL falls under the Third Schedule of the same regulations that denotes that MIMCOL can administer their own procurement and procurement policies.

Action was taken to address procurement issues noted by the NAO, whereby MIMCOL has drawn up an internal policy that is in line with the Public Procurement Regulations.

Moreover, MIMCOL are ensuring that all payments are covered by fiscal documentation and reports any defaulters to the pertinent authorities.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

<p>Inventory Management</p> <p><u>Weak Internal Controls</u></p> <p>MIMCOL is to take stock of all its assets and compile a detailed inventory database, using the principles of MF Circular No. 14/99 as guidelines.</p> <p>This database, which is to include the necessary details to identify the assets, is to be updated on a regular basis to reflect acquisitions, write-offs and disposals.</p> <p>Periodical assessment of recorded assets and their respective condition is to be carried out by Management.</p> <p>All items falling under the entity's responsibility are also to be tagged with a unique asset code.</p> <p>An internal policy on inventory management is to be introduced to ensure adequate internal controls of Government-owned assets from acquisition to their disposal.</p> <p>Moreover, the financial statements are to be adjusted accordingly to reflect an accurate figure of Fixed Assets.</p>	<p style="text-align: center;">✓</p>		<p>MIMCOL has drawn up an internal policy on inventory management taking into account MF Circular No. 14/99 and the applicable accounting standards.</p> <p>MIMCOL will ensure that all the inventory is included and accounted for correctly.</p> <p>The inventory database will include all the necessary details to identify the assets and will be kept up to date with any additions, write-offs, and disposals.</p> <p>The Fixed Asset Register will be kept up to date following periodical reviews to be undertaken to evaluate the condition of the assets.</p> <p>MIMCOL will ensure that all assets are tagged with a unique asset code.</p> <p>MIMCOL has drawn up an internal policy on inventory management.</p> <p>MIMCOL will ensure that the financial statements are presenting accurate figures.</p>	<p>Implemented</p> <p>September 2020</p> <p>September 2020</p> <p>Ongoing</p> <p>September 2020</p> <p>Implemented</p> <p>September 2020</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Rented Carpark Spaces</p> <p>Procurement not in line with <u>Regulations</u></p> <p>The Public Procurement Regulations stipulate that, where the estimated value of goods and services exceeds €10,000, these may be procured after a departmental call for tenders. As far as possible, procurement by direct order is to be resorted to only in exceptional circumstances and provided adequate justification exists. Written approval from the Ministry for Finance is to be obtained before such procurement is made.</p>	<p>Partially Accepted</p>	<p>MIMCOL falls under the Third Schedule of the Public Procurement Regulations, which implies that MIMCOL has to administer its own procurement and have its own procurement policies. MIMCOL's policy states that direct orders over €10,000 need the written approval of its Chairman and the Minister (or such other person authorised by him in writing).</p>	<p>MIMCOL has drawn up an internal policy that is in line with the Public Procurement Regulations.</p> <p>The management will ensure compliance.</p> <p>The management will ensure that all procurement, including the procurement of parking facilities, is in line with the PPR.</p>	<p>Implemented</p>
<p>MIMCOL is also to ensure that its policies are documented.</p>	<p>✓</p>		<p>MIMCOL is ensuring that all internal policies are documented and accessible by all employees.</p>	<p>Implemented</p>
<p>No Fiscal Documentation</p> <p>Fiscal documentation is to be obtained for every purchase of goods or services, in line with standing Value Added Tax regulations.</p> <p>In case of default, service providers are to be reported to the pertinent authorities.</p>	<p>✓</p>		<p>MIMCOL is ensuring that all payments are covered with fiscal documentation.</p> <p>MIMCOL is ensuring that all defaulters are reported to the pertinent authorities.</p>	<p>Implemented</p> <p>Implemented</p>



MEDE
LEARNING SUPPORT ASSISTANTS IN PRIVATE SCHOOLS - EXPENDITURE

MEDE

Learning Support Assistants in Private Schools - Expenditure

The responsibility for the education system in Malta primarily lies with the Ministry for Education and Employment (MEDE), with the respective teaching being provided by state, church, as well as private schools.

In the past years, the said Ministry carried out an ambitious inclusive education programme to ensure equitable access to the national curriculum. To this effect, in the 1990s, one of the concepts introduced was that of supporting children with special requirements who attend mainstream schools by means of Learning Support Assistants (LSAs).

The main objective of the NAO audit was to ensure that state expenditure incurred in this regard was within the approved limits and in line with the provisions of the applicable rules and regulations. The audit was also directed towards ascertaining whether claims for reimbursements made by the private schools were covered with supporting documentation and that necessary verifications, including confirming that the employment of the respective LSAs was duly acknowledged by the ERD, were undertaken before the respective payments were effected.

Follow-up Action

To address the observations noted by the NAO, MEDE implemented several actions. In general, the management is ensuring that the necessary verifications and reconciliations are being carried out.

Formal agreements stipulating the terms and conditions are in place with every school. Moreover, MEDE has drawn up an SOP on reimbursement detailing the entire procedures. The SOP has been circulated to all staff concerned. Prior to processing reimbursements, it is being ensured that claim forms are being checked and signed by the heads of schools.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>No Formal Agreements in Place For the sake of transparency, the MEDE is to ensure that formal agreements, outlining the binding terms and conditions, are to be signed with each private school being reimbursed for learning support services.</p>	<p>✓</p>		<p>Formal agreements stipulating the terms and conditions are in place with each private school.</p>	<p>Implemented</p>
<p>Claims for Reimbursement Forms not thoroughly compiled All documentation relating to payments expensed from public funds is to be adequately compiled as a means of attesting that the necessary vetting and reconciliations have been undertaken. This will also enhance audit trail. Moreover, claim forms are to be appropriately endorsed and marked as reviewed by the officer in charge at the MEDE following adequate verification.</p>	<p>✓</p>		<p>MEDE has drawn up an SOP detailing the entire procedures, including the updated claim sheets, verifications, and reconciliations. The SOP has been circulated to all concerned. The management is ensuring compliance by making sure that the necessary vetting, reconciliations and reviews are carried out, and that claim sheets are adequately completed.</p>	<p>Implemented Implemented Ongoing</p>
<p>Reimbursements effected prior to approval of Employment The MEDE is to ensure that private schools are only compensated for individuals whose employment has been duly approved.</p>	<p>✓</p>		<p>MEDE has drawn up an SOP detailing the entire procedures, including checklist(s). This will ensure that no payments will be issued unless the necessary approvals are in place. The management will ensure compliance.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Payslips not counter signed by Head of School</p> <p>Before requests are processed for reimbursement, claim forms, together with all the relevant attachments, are to be complete and endorsed, as applicable.</p>	✓		<p>Prior to processing reimbursements, claim forms are being checked and signed by the heads of schools.</p> <p>MEDE has drawn up an SOP detailing the entire procedure.</p> <p>The management will ensure compliance and that the reimbursements are based on correct amounts.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Shortcomings in Claims relating to Summer Schools</p> <p>Before issuing reimbursements, the MEDE is to ensure that all the required documentation has been compiled and submitted by the beneficiary. The Ministry is then to carry out all necessary verifications, to ensure that only eligible amounts are reimbursed.</p>	✓		<p>The Finance Unit within MEDE is carrying out an exercise to ensure that all required documentation is submitted by the beneficiary.</p> <p>The management is ensuring that all necessary verifications are being carried out to ensure correct reimbursements.</p>	<p>Ongoing</p> <p>Ongoing</p>



MEDE
MALTA COLLEGE OF ARTS, SCIENCE & TECHNOLOGY - REVENUE

MEDE

Malta College of Arts, Science & Technology - Revenue

The Malta College of Arts, Science and Technology (MCAST) is the island's leading provider of vocational and professional education and training with an international dimension, responsive to the needs of its students and the economy at large. MCAST has three distinct but related colleges, namely the Foundation, Technical and University Colleges, as well as the Gozo Campus and six institutes.

MCAST offers a wide selection of full and part-time courses leading to internationally recognised certificates and diplomas at further and higher education level, degree programmes, as well as master's degrees. Daytime courses are free for Maltese and European Union (EU) citizens. Fees are charged to applicants from non-EU countries, including third-country nationals, unless these are granted an exemption from the Ministry for Education and Employment.

The NAO audit focused on the revenue generated from the fees charged for courses. The main objectives were to determine whether an adequate system of internal controls on revenue collection was in place, to assess the operating effectiveness of the said controls over the main revenue streams, and to provide recommendations to enhance governance, whilst reducing risks associated with revenue management.

Follow-up Action

To address the issue concerning the absence of a robust management information system, MCAST management will be adopting the CLASSTER software system.

With a view to maximise revenue collection, MCAST has restructured the credit control function to operate effectively with the inclusion of competent staff. Moreover, the management has drawn up a comprehensive credit control policy which has been communicated to all officers involved in the credit control cycle. A credit controller has been engaged and is preparing regular reports.

As regards untimely management accounts, MCAST will ensure that the agreed timeframe within which management accounts are to be finalised and presented to the board is respected.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>KEY ISSUES</p> <p>Absence of a Robust Management Information System</p> <p>Management's intention to have a fully interfaced Information System is to be given high priority. The interface is to include the finance function, as well as the student management system. The proposal is also expected to be cost-effective, enabling the simplification of the process and enhancing manageability.</p>	<p>✓</p>		<p>The MCAST management is adopting the CLASSTER software system.</p> <p>Both MCAST and MG21 will be implementing the same system, including the required practices.</p>	<p>September 2020</p>
<p>CONTROL ISSUES</p> <p>No structured Credit Management</p> <p>In order to maximise revenue collection, Management is encouraged to take immediate action as follows:</p> <p>a. Considering the sporadic manner in the way the credit control function is currently being managed, the establishment of a structured credit management unit is to be given priority. This unit is to be staffed with competent personnel to actively monitor debt collection and carry out other credit control duties efficiently and effectively.</p>	<p>✓</p>		<p>The credit control function has been restructured to include competent staff and to operate effectively. A credit control officer has been in place since January 2020.</p> <p>Furthermore, periodic checks are being carried out by MCAST reviewers, including the internal audit function, to ensure that invoices are issued in all instances.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>b. Clear credit control policies, to ensure timely collection of revenue and follow-up procedures of outstanding accounts receivable, are to be drawn up.</p>			<p>The management has prepared a comprehensive credit control policy. The credit control policy has been communicated to all officers involved in the credit collection cycle.</p>	Implemented
<p>c. The long and/or accumulating outstanding amounts are to be closely followed-up. Particularly, in the case of the debtor with a substantial outstanding amount, Management is to endeavour entering into a formal agreement, outlining a payment schedule.</p>			<p>A credit controller has been engaged. The management is taking all necessary actions to recoup the amounts due. Legal action will also be taken if necessary.</p>	Implemented Ongoing
<p>d. Decisive action is to be taken in case of default.</p>			<p>In Q1 2020, MCAST legal advisor issued directions to the management and the prescription period started to be applied as stipulated by law.</p>	Implemented
<p>Furthermore, rigorous action is to be taken to try and recoup the pending amounts and ensure that an adequate provision for bad debts is taken.</p>			<p>It is being ensured that procedures to ensure that amounts due are collected immediately are in place.</p>	Ongoing
			<p>Both MG21 and MCAST have improved the provision for bad debts to ensure that it is adequate.</p>	Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Insufficient Monitoring of dues from Foreign Students</p> <p>Whilst the NAO commends the efforts taken by the Finance Office to follow-up dues from foreign students, similar action is to be taken in respect of amounts owed by local students, as well as entities.</p>	<p>✓</p>		<p>A regular report is being prepared by the credit controller whereby the Finance Office is being provided with a monthly review of credit chasing.</p> <p>The management is ensuring that the control system is adequate and effective.</p>	<p>Ongoing</p>
<p>Untimely Management Accounts</p> <p>Presenting the management accounts on an irregular basis diminishes their usefulness. Accurate and timely accounts are fundamental for Management, as delays in receiving this information means that it becomes less relevant.</p>	<p>✓</p>		<p>The management will ensure that the agreed timeframe within which management accounts are to be finalised and presented to the Board is respected.</p>	<p>September 2020</p>
<p>Inconsistent Recharge Methodology without proper justification</p> <p>The method adopted in recharging the MG2i is to be clearly documented and formally accepted by both parties. The policy agreed upon is to be applied in a consistent manner in order to derive meaningful conclusions about the entity's financial performance. This could be based as a fixed percentage of the amount of revenue generated during the respective years.</p>	<p>✓</p>		<p>MCAST engaged an audit firm to draw up a business plan prior to corporate restructuring. MCAST and MG2i will adopt the recharging mechanism based on this business plan dated April 2020.</p>	<p>September 2020</p>



MEDE
MALTA LIBRARIES - EXPENDITURE
(NOW UNDER THE MINISTRY FOR THE NATIONAL HERITAGE,
THE ARTS & LOCAL GOVERNMENT)

MEDE

Malta Libraries – Expenditure (Now under the Ministry for the National Heritage, the Arts & Local Government)

The Malta Libraries (ML) was established by virtue of the Malta Libraries Act (Act VII of 2011), replacing the former Libraries Department. It is entrusted with ensuring the collection and conservation of Malta's documentary heritage for present and future generations, maintaining and developing the libraries regulated under the aforementioned act, encouraging reading for study, research, leisure, self-development, and lifelong learning information.

The entity is responsible for the National Libraries and the Central Public Libraries in Malta and Gozo, all regional and branch libraries in the Maltese islands, as well as the National Bibliographic Office. The ML is headed by a National Librarian, who also acts as the Chief Executive Officer, and two Deputy Librarians: one in charge of the National Library and the other responsible for the Central Public Library.

The main purpose of the audit was to determine the level of existing internal controls over procurement, and that payments for expenditure in general, including allowances paid to employees, were in line with pertinent regulations and circulars. The audit also sought to establish whether Government resources were used prudently and in a judicious manner.

Additionally, opening balances recorded in the new accounting system were to be verified to ensure that these were correct, accurate, and comply with established accounting policies.

Follow-up Action

To address the issue of non-current assets that were not recognised, the ML has published a request for quotations for the purchase of a software system. Once fully operational, this system will support the compilation of a register of assets. Moreover, the ML will start using the inventory (stocks) module as from December 2020.

The ML has also taken action to tackle the observation related to expired contracts by assigning an officer to monitor all agreements to ensure that prior to the expiry of the term of an agreement, a fresh procurement process is initiated. The management will ensure that the Public Procurement Regulations are adhered to. The list of all contracts exceeding the value of €5,000 (excluding VAT) are being published as per Contracts Circular No. 2/2017.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>The first audited accounts of the ML were not yet available by conclusion of audit testing in October 2019. Moreover, opening balances were not yet reflected in the entity's books of accounts. Hence, information reported in the Statement of Financial Position forwarded to the NAO was not complete and other figures were subject to change. In view of the above, this Office did not have the comfort that the financial data as at 31 December 2018 provided for audit purposes was reliable.</p>	<p>✓</p>		<p>The 2018 audited accounts have been finalised. The 2019 audited accounts have been finalised. The Malta Libraries is to ensure that the audited accounts are finalised in accordance with CAP 511 of the Laws of Malta.</p>	<p>Implemented Implemented</p>
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KEY ISSUES

Non-current assets not recognized


According to International Financial Reporting Standard 3 - 'Business Combinations', in such circumstances, assets acquired are to be measured at fair value. In line with best practice, a register of assets held by the ML is to be compiled and each item valued accordingly. This will ensure better control over the assets owned by the entity.

<p>✓</p>

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<p>ML will be using the inventory (stocks) module. ML has published a request for quotations for the purchase of a software system. Once fully operational, this system will support the compilation of a register of assets. Assets acquired will be measured in line with the applicable International Financial Reporting Standard.</p>
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<p>December 2020 Implemented September 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Procurement of Cleaning and Security Services through Expired Contracts</p> <p>The ML is to ascertain that before expiry of the term of an agreement, a fresh procurement process is initiated by issuing a new call for tenders or by obtaining quotations, as applicable. This will ensure fairness and provide an equal opportunity to all interested parties.</p> <p>If for valid reasons, which are outlined in the legislation, the service is acquired directly from the open market, the respective procurement has to be approved by MFIN prior to the actual commitment.</p> <p>Such services are also to be backed up by a valid agreement, clearly laying down the terms and conditions agreed between the contracting parties.</p> <p>The ML is also to ensure that a valid performance guarantee is in hand before the effective date of the contract, to provide adequate safeguard in case of default by the contractor.</p>			<p>A new cleaning services tender has been awarded.</p> <p>An officer has been assigned the responsibility to monitor all agreements to ensure that before expiry of the term of an agreement, a fresh procurement process is initiated by issuing a new call for tenders or by obtaining quotations, as applicable.</p> <p>The management is ensuring that the public procurement regulations and the principles of procurement are followed.</p> <p>A tender for security services was issued.</p> <p>The management is ensuring that the public procurement regulations are adhered to.</p> <p>ML is ensuring that all performance guarantees are in hand before contracts are signed.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

COMPLIANCE ISSUES

<p>Publication of Direct Orders in the Government Gazette For the sake of transparency, the ML is to ensure that it publishes the full list of contracts awarded in the Government Gazette as per standing regulations, within a reasonable time.</p>	<p>✓</p>		<p>ML is publishing all contracts exceeding the value of €5,000 (excluding VAT) in the Government Gazette, as per Contracts Circular No. 2/2017.</p>	<p>Implemented</p>
<p>Fiscal Receipts obtained during the Audit The ML is to ascertain that appropriate fiscal documentation is obtained upon making the purchase of goods or services, in line with Value Added Tax legislation.</p>	<p>✓</p>		<p>ML is ensuring that all purchases are covered with the required fiscal documentation in line with the applicable legislation.</p>	<p>Implemented</p>



MEDE
DEPARTMENT OF EDUCATION - CREDITORS & ACCRUALS

MEDE

Department of Education – Creditors & Accruals

MF Circular No. 10/2001 – ‘Government Accrual Accounting: Procedures for the Control of Debtors and Creditors’ covers the procedures necessary for the proper management of debtors and creditors within every ministry and their respective departments. The Treasury Department also issued TR Circular No. 3/2003 – ‘Government Accrual Accounting: Procedures for the Management of Prepayments, Accruals and Capital Commitments’ to establish the applicable procedures by ministries and departments.

The main purpose of this NAO audit was to assess the Department of Education’s compliance with the pertinent circulars in presenting adequate and timely reports, and to provide reasonable assurance on the effectiveness of the financial management and controls applied on creditors.

Follow-up Action

The Department of Education has implemented several actions to address the shortcomings in the collation and reporting of creditors and accruals as at year-end, as well as the proper distinction between payables and accruals. In order to carry out the necessary reconciliations, the Department of Education is requesting an updated statement from all suppliers who have been reported as creditors in the accrual accounting reports at the end of each quarter. In addition, the Department of Education is ensuring that the returns with respect to creditors and accrued expenses are filled in completely and correctly.

An internal memo was also sent to departments, directorates, and state schools within MEDE, whereby these are required to submit a list of pending invoices. The memo also specifies that invoices are to be rubber-stamped with the date of receipt.

Employees within the Finance Section will also be provided training on the new accruals-based CFMS.

RECOMMENDATIONS **ACCEPTED OR OTHERWISE** **JUSTIFICATION** **ACTION** **IMPLEMENTED OR DATE BY WHEN**

LIMITATION ON SCOPE OF AUDIT

<p>The NAO could not confirm the existence of eight creditors' balances out of the fourteen sampled, since the respective suppliers did not submit their response confirming the respective outstanding balance.</p>	<p>✓</p>		<p>MEDE is requesting an updated statement from all suppliers who have been reported as creditors in the Accrual Accounting Reports at the end of each quarter. Statements are being reconciled.</p>	<p>Ongoing</p>
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KEY ISSUES

<p>Outstanding Amounts at Year-end not reported</p> <p>All the relevant sections within the Ministry for Education and Employment (MEDE), as well as the schools falling within their remit, are to be notified, by means of an official letter issued by the Department, that information related to pending payments is to be forwarded to the Finance Department prior to the submission deadlines of each quarter.</p>	<p>✓</p>		<p>An internal memo was sent to departments, directorates, and state schools within MEDE, whereby these are required to submit a list of pending invoices.</p>	<p>Implemented</p>
<p>Furthermore, considering the materiality of the amounts omitted, and keeping in mind Government's plan to adopt the accrual accounting of which creditors' and accruals' balances are an integral part, the Department of Education is to ascertain that all unpaid invoices as at year-end are appropriately recorded as payables and a distinction is made between creditors and accruals.</p>	<p>✓</p>		<p>An internal memo was sent to departments, directorates, and state schools within MEDE, whereby these are required to submit a list of pending invoices.</p> <p>The internal memo also requires MEDE departments, directorates, and state schools within MEDE to rubberstamp invoices with the date when these are received.</p> <p>MEDE departments, directorates, and state schools within MEDE will adhere with the internal memo and related circular.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>MEDE will ensure compliance.</p> <p>MEDE is ensuring that the returns with respect to creditors and accrued expenses are filled in completely and accurately, giving due attention to the cut-off date.</p> <p>Employees within the Finance Unit will attend a training programme for the implementation of the new accruals based CFMS.</p>	<p>Ongoing</p> <p>November 2020</p>
CONTROL ISSUES				
<p>Creditors' Year-end Balances not in Agreement with Third Party Confirmations</p> <p>In order to ensure completeness and accuracy of reported figures, the Department is to obtain statements on a regular basis from all suppliers and reconcile the respective balances, especially prior to submitting the Creditors' Return.</p>	<p>Partially Accepted</p>	<p>MEDE regularly receives statements from a number of creditors, however, not all creditors send such statements. The statements received are reconciled and the Finance Section coordinates between related parties to clear approved pending invoices.</p> <p>There are instances where suppliers are not aware that some invoices are due by an entity under MEDE's remit, which has its own funds and accounting</p>	<p>MEDE is ensuring that quarterly statements are obtained from suppliers.</p> <p>The Ministry is reconciling the statements received. Suppliers, who have been reported as creditors in the Accrual Accounting Reports and do not send a regular statement, are being contacted to send a statement to be reconciled.</p>	<p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Erroneous Entries in the Creditors' Lists</p> <p>Adequate checks are to be carried out to ensure that a proper distinction is made between payables and accruals. For the treatment and disclosure of the different categories of expenditure, the Department of Education is to be guided by Annex 2 of TR Circular No. 3/2003.</p>		<p>system, and hence discrepancies arise. As mentioned above, the memo sent to all departments and directorates within MEDE will minimise the instances where balances are not accurate. Every quarter, the Finance Section will follow up with all departments and directorates.</p>		
	<p>✓</p>		<p>In addition to the internal memo, MEDE forwarded to departments, directorates, and state schools within MEDE TR Circular No. 3/2003 for any necessary reference with respect to the correct treatment and disclosure of the different categories of expenditure.</p> <p>The internal memo also requires MEDE departments, directorates, and state schools within MEDE to rubberstamp invoices with the date when these are received.</p> <p>The management will ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Understated or Unsupported Accrued Expenditure</p> <p>The Department is to ensure that it accrues for the whole period remaining until year-end, notwithstanding that figures may not be absolute and certain. While taking prior year figures could be good indicators for the current year's accrued expenditure figure, the Department is to analyse current trends and identify the need for higher or lower accrued amounts, as the case may be.</p> <p>The Department's workings have to include all possible details, making it easier for such calculations to be recomputed by the Department itself or by other third parties. A spreadsheet is to be prepared, showing the last invoice readings of water and electricity for all the premises under the responsibility of the Department, and the actual meter readings taken at the end of December for a more accurate accrued amount.</p>	<p>✓</p> <p>Partially Accepted</p>	<p>MEDE has started obtaining the actual meter readings of the 182 meters. An excel sheet is being compiled and calculations and projections will be done based on previous bills. Once an invoice with the actual reading is received, the excel sheet is updated accordingly to reflect costings on actual readings.</p>	<p>MEDE is ensuring that the accruals return is being filled in completely and accurately.</p> <p>MEDE is ensuring that the compiled spreadsheet includes all the relevant details with respect to water and electricity bills.</p> <p>MEDE's workings with respect to accrued amounts are being supported with sufficient details to ensure adequate audit trail.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>



MEW
ENGINEERING RESOURCES LTD - FINANCIAL & COMPLIANCE

MEW

Engineering Resources Ltd - Financial & Compliance

The Engineering Resources Limited (ERL) was set up in 2014 with the scope of taking on all the employees of the then defunct Enemalta Corporation. The Company's operations are based on the provision of human resources to Government departments and entities, as well as other companies operating in the energy sector, in their quest to overcome the shortage of staff within their workforce.

The main scope of the NAO audit was to verify whether expenditure recorded for 2018, which, as indicated in the Background, mainly comprised salaries of employees and the amounts recouped, were free of material misstatement.

The NAO was satisfied that the procedures and internal controls in relation to the areas tested were adequate and in sound operation. The recharging system between the ERL and the various entities whereby the related salaries were being recouped was also satisfactory. Additionally, all documentation requested was made available and staff was well versed on their respective areas of work and replied to all queries raised by this Office in a timely manner.

Follow-up Action

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

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>GOOD PRACTICE</p> <p>The NAO was satisfied that the procedures and internal controls in relation to the areas tested were adequate and in sound operation. The recharging system between the ERL and the various entities whereby the related salaries were being recouped was also satisfactory. Additionally, all documentation requested was made available and staff was well versed on their respective areas of work and replied to all queries raised by this Office in a timely manner.</p>			<p>No action required. In its reply, management welcomed the report for having appraised the ERL's operations and financial management.</p>	



MEW
CREDITORS & ACCRUALS

MEW

Creditors & Accruals

In line with MF Circular No. 10/2001 – ‘Government Accrual Accounting: Procedures for the Control of Debtors and Creditors’, ministries and departments are required to submit a quarterly analysis of creditors to the Accountant General. According to the Creditors’ Return for Quarter 4 of 2018, the Ministry for Energy and Water Management (MEW) reported an amount of outstanding dues of €185. On the other hand, it accounted for accrued expenditure of nearly €20.7 million.

The main purpose of the NAO’s audit was to assess the ministry’s compliance with the pertinent circulars regulating the collation and reporting of creditors’ balances, as well as accruals, as at 31 December 2018. The NAO conducted testing to assess whether the Creditors’ Return submitted as at year-end 2018 was complete. Payments pertaining to 2018 invoices, made by the MEW from January to March 2019, were extracted from the Departmental Accounting System to confirm that the respective amounts were reported in the Creditors’ Return for Quarter 4 (2018) and Quarter 1 (2019), as applicable. From the audit carried out, the NAO noted certain balances that were omitted from the Creditors’ Return and Creditors as at year-end that were not reported in the respective return.

Follow-up Action

MEW has taken action to redress the omission of the balances from the Creditors’ Return by obtaining quarterly statements from contracted suppliers. An accruals checklist denoting all known categories of expenditure has been drawn up to ensure completeness. Another checklist is being used to provide an audit trail from the date when funds are committed till the actual payment issued by the Treasury Department to the respective supplier.

With a view to report all creditors in the respective return, MEW is requesting information relating to pending invoices on a quarterly basis from all sections and entities within the Ministry. The date of receipt is being rubber-stamped on invoices received. MEW also instructed the entities within its remit to rubber-stamp the invoices received. MEW is also requesting information with regard to accrued expenses and pending invoices from all entities. In addition, claims for payments and commitments for expenditure are being processed directly by the Ministry to enhance the proper management of funds as well as accurate reporting.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Balances omitted from the Accruals' Return</p> <p>A review is to be conducted by the Accounts Sections of all pending commitments dated prior to the year-end.</p> <p>Moreover, the Ministry is to compile a checklist of all known categories of expenditure, on the basis of which it could then estimate the amounts accrued.</p>	<p>✓</p>		<p>MEW is ensuring that quarterly statements are obtained from contracted suppliers.</p> <p>MEW is ensuring that the accruals return is submitted within the stipulated timeframes.</p> <p>MEW is ensuring that the accruals return is being filled in completely and accurately.</p> <p>An accruals checklist denoting all known categories of expenditure has been drawn up.</p> <p>Another checklist is being used to provide an audit trail from the date when funds are committed till the actual payment issued by the Treasury Department to the respective supplier. This checklist is being updated on a daily basis.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>Creditors as at Year-end not reported in the respective Return</p> <p>The Accounts Section is to coordinate with and send a reminder every quarter to all the units falling within the responsibility of the MEW in order to ensure it is provided with all pending invoices without undue delay.</p>	<p>✓</p>		<p>The accounts section within MEW is requesting information related to pending invoices on a quarterly basis from all sections and relative entities within the ministry.</p> <p>MEW is ensuring that the creditors' return is filled in completely and accurately, giving due attention to the cut-off date.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>The date of receipt of invoice is to be clearly indicated by using a rubber stamp, to facilitate the compilation of accurate and timely information submitted to the Treasury Department.</p>			<p>The date of receipt is being rubberstamped on invoices received from the ministry.</p>	Implemented
<p>Any reimbursements that the MEW is committed to make are to be processed by the same Ministry rather than the Treasury Department. This would enhance the better control and communication within the Ministry and its entities.</p>			<p>MEW notified the respective entities within its remit to rubberstamp the invoices received at their end with the date of receipt.</p>	Implemented
			<p>Claims for payments are being processed directly by the ministry.</p>	Implemented
			<p>MEW is requesting information with regard to accrued expenses and pending invoices from all entities.</p>	Implemented
			<p>MEW is ensuring that all commitments for expenditure are processed centrally. This is enhancing the proper management of funds as well as accurate reporting.</p>	Implemented



MEAE
OCCUPATIONAL HEALTH & SAFETY AUTHORITY - EXPENDITURE
(NOW UNDER THE MINISTRY FOR HEALTH)

MEAE

Occupational Health & Safety Authority (Now under the Ministry for Health)

Established by virtue of the Occupational Health and Safety Authority Act (Cap. 424 of the Laws of Malta), the authority is responsible for ensuring that the physical, psychological, and social wellbeing of workers in all workplaces are promoted. The approved 2018 budget allocation for the Occupational Health and Safety Authority, falling under the Ministry for European Affairs and Equality, amounted to €1,220,000. According to its financial statements for 2018, the OHSA also reported the amount of €218,894 as miscellaneous income, as well as a government capital grant amounting to €25,644.

The main purpose of the audit was to ascertain the adequacy of internal controls, as well as to ensure the accuracy and validity of salary payments. Payments to eight employees, out of a total of 36 officers on the OHSA's payroll, were selected for verification. Moreover, the NAO sought to verify whether procurement procedures complied with Public Procurement Regulations (PPR). Testing focused on the procurement of accountancy and payroll services. The effectiveness of internal control measures over the collection of administrative fines, which totalled €194,690 during 2018, was also tested. A sample of 10 fines was randomly selected for audit testing, five of which related to unsettled penalties, thus leading the authority to commence criminal proceedings. In this regard, the NAO noted shortcomings with regard to the procurement of accounting services, inaccurate amounts within audited financial statements, and a system that records fines which was prone to errors.

Follow-up Action

As a follow-up action to redress weaknesses concerning procurement, OHSA is ensuring that this process is being carried out in accordance with the applicable Public Procurement Regulations. A procurement programme is in place to plan procurement and pre-empt issues. This programme is also discussed at senior management level to monitor adherence to timelines. In addition, OHSA is ensuring that continuous training on public procurement is provided to its employees.

A management information system, comprising a full audit trail of the administrative fines and respective income received, is in the process of being developed to facilitate the collation of information required both for accounting as well as for internal control purposes. Furthermore, OHSA is ensuring that the financial statements are audited as required by the pertinent law. All errors in the financial statements will be corrected in accordance with the International Financial Reporting Standards.

RECOMMENDATIONS **ACCEPTED OR OTHERWISE** **JUSTIFICATION** **ACTION** **IMPLEMENTED OR DATE BY WHEN**

KEY ISSUES

<p>Shortcomings in the Procurement of Accounting Services</p> <p>In line with the PPR, where the estimated value of goods and services exceeds €10,000 excluding Value Added Tax, these may be procured after a departmental call for tenders. The terms of engagement, as well as the duration of the required services, are also to be clearly indicated in the respective call.</p> <p>All submitted bids are to be evaluated in terms of administrative, financial and technical compliance, prior to selection. Justified reasons are to be given when the cheapest offer is not selected.</p> <p>Furthermore, contracts are to be signed prior to the initiation of service, to ascertain the parties' agreement to the terms and conditions, obligations and payment terms. Management is to refrain from extending agreements indeterminately, so as to ensure efficient allocation of resources.</p>	<p style="text-align: center;">✓</p>		<p>A tender for the Provision of Accountancy & Payroll Services has been issued through e-PPS and awarded for the duration of 36 months.</p> <p>The management ensured that the terms of engagement are included in the call for tenders.</p> <p>The management ensured that where the estimated value of goods and services exceeds €10,000, these will be procured after a departmental call for tenders through ePPS.</p> <p>OHSA is ensuring that continuous training on public procurement is provided to its employees.</p> <p>The OHSA is using the evaluation report template provided by DoC.</p> <p>Evaluation committees are ensuring that bids are evaluated in line with the selection criteria included in the respective tender document.</p> <p>OHSA is ensuring that contracts are signed prior to the effective date and abide by the terms included in the tender document.</p> <p>A procurement programme is in place to plan procurement and pre-empt issues. This programme is also discussed at senior management level to monitor adherence to timelines.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Inaccurate Amounts in the Audited Financial Statement</p> <p>Information presented in the audited financial statements is to be accurate and in accordance with the requirements of the International Financial Reporting Standards.</p>	✓		<p>OHSA is ensuring that all errors in the financial statements are corrected in accordance with the International Financial Reporting Standards.</p> <p>OHSA is ensuring that the financial statements are audited as required by the pertinent law.</p>	<p>February 2021</p> <p>February 2021</p>
<p>System for recording Administrative Fines prone to errors</p> <p>Management is encouraged to keep record of the administrative fines and respective income received by means of a database which comprises a full audit trail. Such system would facilitate the collation of information required both for accounting, as well as for internal control purposes.</p> <p>A reconciliation exercise will also reduce the risk of data tampering.</p>	✓		<p>A Management Information System, comprising a full audit trail of the administrative fines and respective income received, is in the process of being developed to facilitate the collation of information required both for accounting, as well as for internal control purposes. It is expected that this System will be fully operational in 2023.</p> <p>In the meantime, an interim solution is being developed to implement this recommendation.</p> <p>OHSA is ensuring that reconciliations are carried out between on a quarterly basis between fines issued, payments received and pending amounts.</p>	<p>December 2023</p> <p>September 2020</p> <p>Implemented</p>



MFIN
DIRECT ORDERS & NEGOTIATED PROCEDURES WITHOUT
PRIOR PUBLICATION - ANALYSIS
(NOW UNDER THE MINISTRY FOR FINANCE & FINANCIAL
SERVICES)

MFIN

Direct Orders & Negotiated Procedures without prior Publication – Analysis (Now under the Ministry for Finance & Financial Services)

As prescribed by Article 103 of the Public Procurement Regulations 2016, the Direct Orders (DO) Office within the Ministry for Finance (MFIN) is responsible for the granting of approvals for direct contracts whose value is in excess of €10,000 and not more than €144,000. Figures provided by the DO Office during the audit show that related approvals in 2018 totalled €85,813,510. For contracts in excess of this threshold, the Contracting Authority (CA) would have to resort to the Department of Contracts (DC). One of the options available for such procurement, where specific conditions are met, is the use of the negotiated procedure without prior publication. In such cases, the CA is allowed to consult the economic operator of its choice and negotiate directly the terms of the respective contract.

The main scope of this assignment was to conduct a high-level analysis in relation to the granting of a DO, within the threshold referred to above, as well as procurement through negotiated procedures without prior publication. In this regard, the NAO commented on the limitations of the scope of the audit due to a lack of statistics at DC, the recording of DOs, and on issues concerning DO refusals by the DO Office.

Follow-up Action

As follow-up to the NAO's observations, MFIN has implemented and noted various actions that are now presently in place and deal with the concerns highlighted by the NAO. The DC is thus ensuring that a database with statistical data on negotiated procedures is maintained and all requests for negotiated procedures are duly recorded. MFIN is also exerting more scrutiny and discipline for DOs claimed by the CAs. Regarding DO refusals, the DO office is not sanctioning retrospective requests and is reporting any breaches by the CAs to the respective Permanent Secretary, copying in the Internal Audit and Investigations Department (IAID).

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>The DC's involvement with regard to procurement through Negotiated Procedure without prior publication for goods and services above the threshold of €144,000 is solely limited to its approval for the CA to go ahead with this approach. It is then the latter that negotiates with the chosen supplier and signs the related contracts. Eventually the DC gives the final approval on the amount contracted. However, the latter does not have readily available statistics with regard to such approvals for any given period, since this information is not compiled in a manner that facilitates its retrieval. Thus, regrettably, this Office was not in a position to carry out the planned analysis in this respect. Indeed, the DC is expected to start compiling this important information.</p>	<p style="text-align: center;">✓</p>		<p>MFIN is ensuring that a database with statistical data on negotiated procedures, granted as from 1st January 2018, is maintained.</p> <p>As from 1st July 2020, MFIN is ensuring that all requests for negotiated procedures are duly recorded in the database.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Data Analysis – Direct Orders Office, Ministry for Finance</p> <p>No specific recommendation.</p> <p>Action was taken by Management to address the observation.</p>	<p style="text-align: center;">✓</p>		<p>MFIN is exerting more scrutiny and discipline for direct orders claimed by contracting authorities.</p> <p>A meeting was held at the MFIN offices with contracting authorities during which it was explained how, why, and when they should submit requests for direct orders.</p>	<p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Direct Order Refusals</p> <p>No specific recommendation. Action was taken by Management to address the observation.</p>	✓		<p>MFIN is reporting any such breaches by the contracting authorities to the respective Permanent Secretary, copying in IAID.</p> <p>Irrespective of the legal obligation to pay, the DO office is not sanctioning all retrospective requests but only those cases that are justified. Once approved, such cases are issued with a conditional approval to pay.</p>	<p>Ongoing</p> <p>Ongoing</p>
<p>CONTROL ISSUES</p> <p>Data Recording</p> <p>Not only is the manual input of data into a spreadsheet a laborious process but is possibly conducive to backlogs and error. It is therefore strongly recommended that the DO Office considers the introduction of a system that caters for the repetitive nature of the information being handled. Facilities, such as a pre-established list of Ministries, Departments, Entities, and reasons for which a request could be approved or refused, would be very helpful in having data which is complete and useful for analysis purposes.</p> <p>The DO Office itself could make use of this data for analytical reviews and in identifying, for instance, which Ministries are requesting the most DOs approvals and the respective justification.</p>	✓		<p>MFIN is ensuring that a standardised database is being maintained in order to be able to extract meaningful data for the management's consumption.</p>	<p>Ongoing</p>



MOT
MALTA TOURISM AUTHORITY - EXPENDITURE
(NOW UNDER THE MINISTRY FOR TOURISM & CONSUMER
PROTECTION)

MOT

Malta Tourism Authority – Expenditure (Now under the Ministry for Tourism & Consumer Protection)

The Malta Tourism Authority (MTA) falls under the responsibility of the Ministry for Tourism and Consumer Protection and was formally set up by the Malta Travel and Tourism Services Act (1999).

The objectives of the MTA are as follows:

- To promote and advance Malta as a tourism destination.
- To advise the government on tourism operations and to issue licenses under the Act.
- To contribute toward the improvement of the level of human resources in the tourism industry.
- To advise the government on the planning and development of the tourism industry, as well as on the infrastructure supporting the industry.
- To assist and advise on any tourism-related issues and to undertake activities and projects to fulfil its role.

The main purpose of the NAO audit was to evaluate the level of existing internal controls over the recurrent expenditure incurred by the MTA during the year 2018. The audit also aimed to ascertain the prudent use of government resources and efficient use of public funds.

Follow-up Action


The MTA is exploring other information management systems to ensure more efficiency and better audit trails in order to address the NAO's observation concerning the lack of a systematic method of filing.

As regards the NAO's recommendation to improve the procurement procedure, the MTA has entered into discussions with the Department of Contracts on how to improve MTA's procurement procedures.



Furthermore, the MTA will be ensuring that agreements are duly signed prior to the effective date. Internal controls will also be enhanced to make sure that no payments are issued unless covered by a valid agreement. Additionally, the entire process has been documented in an SOP and communicated to all concerned staff. Management will ensure compliance.

RECOMMENDATIONS **ACCEPTED OR OTHERWISE** **JUSTIFICATION** **ACTION** **IMPLEMENTED OR DATE BY WHEN**

LIMITATION ON SCOPE OF AUDIT

<p>The MTA did not have a systematic method of filing, as explained later on under the respective observation. This limited the scope of the audit since a complete audit trail could not be ascertained.</p>			<p>The management will ensure a complete and adequate audit trail.</p>	<p>September 2020</p>
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KEY ISSUES

<p>Route Development Payments <u>Agreements with Airline Companies</u> Given the nature of such agreements and the importance of the tourism industry, it is recommended that the MTA enters into discussion with the Department of Contracts in order to identify opportunities for possible improvement in the relative procurement procedure.</p>			<p>Discussions were held between MTA and the Department of Contracts and an agreement was reached on how to improve MTA's procurement procedures. MTA is ensuring that Public Procurement Regulations are adhered to. For those instances where a contract for a particular event extending for a number of years and already covered by an agreement, MTA has entered into discussions with MFIN.</p>	<p>Implemented Ongoing September 2020</p>
<p>Contract signed retrospectively Agreements are to be duly signed prior to their effective date to ensure comprehensive coverage and full legality.</p>			<p>MTA will ensure that agreements are signed ahead of the effective date. New agreements will be entered into in October 2020.</p>	<p>October 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Payments in excess to Agreement</p> <p>Any amendments to the agreements are to be clearly agreed upon in writing by both parties. This will ensure fairness and clarity of all clauses.</p>	✓		<p>Internal controls will be in place to ensure that no payments are issued unless covered by a valid agreement.</p> <p>Variations will be duly authorised from the right level of authority in line with pertinent regulations prior to the commencement of service.</p> <p>Amendments to agreements are being formalised.</p> <p>The entire process has been documented in an SOP and communicated to all concerned employees.</p> <p>The management will ensure compliance.</p>	<p>September 2020</p> <p>September 2020</p> <p>Ongoing</p> <p>Implemented</p>
<p>Approval of Marketing Activity not evidenced</p> <p>Action taken to satisfy requirements emanating from the agreements needs to be evidenced.</p>	✓		<p>MTA will ensure that all activities are in line with the respective agreement, authorised and evidenced.</p>	<p>October 2020</p>
<p>Passenger Target Concerns</p> <p>In order to assess the value added by its marketing contribution to the tourism industry, the Authority is encouraged to request better profiling of the company's customers. Thus, in view of the MTA's role, the targets included in future agreements are to relate</p>	✗	<p>Whereas the number of passengers is verifiable through sources such as Malta International Airport, the ratio of tourists arriving/departing on each route is variable and impossible to measure.</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
specifically to the number of tourists, not passengers, travelling to the Maltese Islands.		This renders the NAO recommendation impossible to execute. Support is given on the basis of passengers carried because there is an almost perfect correlation between passenger growth and tourism growth.		
CONTROL ISSUES				
Absence of a Document Management System The absence of a proper document management system weakens continuity, internal control and accountability. Consequently, the MTA is to take prompt action in this respect, in order to improve transparency across its administrative and management functions.	✓		MTA will explore other information management systems to ensure more efficiency and better audit trails.	September 2020
Annual Summer Concert Every effort is to be made in order to conclude agreements in due time, thus enabling the MTA to enforce the regulating provisions.	✓		MTA is ensuring that all requirements emanating from the contracts are observed. MTA is ensuring that agreements are duly signed prior to their effective date and concluded in due time. Budget forecasts and documentation regarding sponsorships will be kept in the specific files to ensure an adequate and complete audit trail. The	Ongoing Ongoing Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>International Radio Festival</p> <p><u>Committee approval partially obtained</u></p> <p>Allocation of funds by way of sponsorship, contribution or any other means is to be invariably approved by the MTA Committee. This will also ensure the completeness of the process and provide sufficient audit trail.</p>	<p style="text-align: center;">✓</p>		<p>sponsorship policy has been launched in July 2020. Following the issue of the first call for applications related to sponsorship schemes, the MTA will ensure that all documentation is kept in respective files with appropriate reference numbers.</p>	
<p><u>Flight and Accommodation Expenditure</u></p> <p>The NAO acknowledges that it is extremely difficult for the MTA to have full control over entertainment related events; however, as far as possible, precautions are expected to be taken in order to duly safeguard public funds. Article 2(d) of the agreement specified that the final contribution payment was subject to the outcome of a post-mortem. Thus, for future similar events, it is advisable to stipulate</p>	<p>Partially Accepted</p>	<p>The event mentioned by the NAO was the International Radio Festival where radio hosts, influencers, and journalists were invited to attend to market Malta further.</p> <p>The MTA has no control over late cancellations.</p>	<p>MTA will enhance its internal controls to ensure that allocation of funds by way of sponsorship, contribution, or any other means are always approved by the MTA Committee.</p> <p>A sponsorship policy has been drawn up and communicated to all concerned.</p> <p>The management will ensure compliance.</p>	<p>November 2020</p> <p>Implemented</p>
			<p>Notwithstanding, details of no-shows will be held in an organised manner and be readily available for audit purposes.</p> <p>Nevertheless, while acknowledging that there will be changes, the management will include the necessary provisos so that the impact on public funds will be minimised as much as possible.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>that the established amount may be subject to deductions, if any expenditure is deemed unnecessary or is not justified.</p> <p>Additionally, in order to enhance accountability, details of no shows are to be held in an organized manner and be readily available for audit purposes.</p>		<p>In such circumstances, the MTA has two options:</p> <p>(i) Either pre-book hotels at an advantageous rate around six months in advance; or</p> <p>(ii) Book closer to the date, but at a higher rate.</p> <p>From experience, the first option is almost always the most cost-effective, even if some cancellations eventually take place.</p>		



MOT
PROJECTS MALTA LIMITED - EXPENDITURE
(NOW UNDER THE MINISTRY FOR TRANSPORT,
INFRASTRUCTURE & CAPITAL PROJECTS)

MOT

Projects Malta Limited - Expenditure (Now under the Ministry for Transport, Infrastructure & Capital Projects)

Projects Malta Limited (PML) was incorporated on 21 April 2014, with the aim of co-ordinating and facilitating public private partnerships between ministries and the private sector. It is owned 99.99% by Malta Government Investments Ltd, with the ultimate controlling party being the Government of Malta.

The primary purpose of the NAO audit was to ensure that project costs incurred by the PML during 2018 were in line with the Public Procurement Regulations (PPR) 2016 and in compliance with the pertinent financial regulations and policies. The audit also sought to determine the level of existing internal controls, as well as to establish whether government resources were used prudently and in a judicious manner.

Follow-up Action

To address the issues relating to Public Procurement Regulations and to instances where services procured by direct orders were not backed up by formal agreements, PML has drawn up an SOP detailing the procedures to be followed. This SOP has been duly communicated to all staff concerned. The management will ensure compliance.

In addition, PML is ensuring that it publishes the full list of contracts awarded in the Government Gazette as per standing regulations.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Bypassing of Public Procurement Regulations</p> <p>Although the MFIN Circular No.3/2013 – ‘Publication Procurement Regulations’ provides five circumstances under which requests for the DOs are justified, Management is encouraged to ensure that services and/or supplies are procured following a competitive procurement procedure, for a fair and transparent selection process. DOs should only be resorted to if duly justified.</p> <p>Moreover, fragmented purchases to bypass procurement regulations are not allowed.</p>	<p style="text-align: center;">✓</p>		<p>The PML has ensured adherence to the PPRs.</p> <p>The PML has drawn up an SOP detailing the updated procedures to ensure that the PPRs are adhered to. The SOP has been communicated to all concerned staff.</p> <p>The management is to ensure compliance.</p> <p>The PML is ensuring that for future procurement the purchase of items of a similar nature is to be done through a single tender subdivided into lots (as and where necessary) to take into consideration specific requirements, as applicable.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Ongoing</p>
<p>Services not backed-up by a Formal Agreement</p> <p>Terms and conditions agreed upon with suppliers or service providers, including work to be carried out and relative costs, are to be clearly documented in an agreement signed by both parties and filed accordingly. This should also serve as the basis against which invoices are verified before processed for payment.</p>	<p style="text-align: center;">✓</p>		<p>The PML concluded an exercise and checked previous active agreements. All necessary approvals are in place.</p> <p>An SOP detailing the procedures to be followed was drawn up and communicated to all concerned staff. Furthermore, an internal memo was issued to ensure that the agreements are in place.</p> <p>The management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>COMPLIANCE ISSUES</p> <p>Publication of Direct Orders in the Government Gazette</p> <p>For the sake of transparency, the PML is to ensure that it publishes the full list of contracts awarded in the Government Gazette as per standing regulations, within a reasonable time. Correctness of the information published is also to be ascertained.</p>	<p>✓</p>		<p>The PML is ensuring compliance with regulations, including but not limited to timely submission of a full list of contracts awarded for publication in Government Gazette.</p>	<p>Implemented</p>



MHAS
OFFICE OF THE REFUGEE COMMISSIONER - EXPENDITURE
(NOW UNDER THE MINISTRY FOR HOME AFFAIRS, NATIONAL
SECURITY & LAW ENFORCEMENT)

MHAS

Office of the Refugee Commissioner - Expenditure (Now under the Ministry for Home Affairs, National Security & Law Enforcement)

The Office of the Refugee Commissioner (ORC) within the Ministry for Home Affairs and National Security (MHAS), is responsible for receiving, processing, and determining applications for international protection in Malta, as stipulated by the Refugees Act, Chapter 420 of the Laws of Malta and its subsidiary legislation.

The main purpose of this audit was to determine the level of existing internal controls over the payment of overtime and allowances. It also sought to verify that the method of engagement and payments made to freelance interpreters, as well as other contractual service providers, were duly authorised and properly accounted for, in accordance with the General Financial Regulations and other pertinent regulations and circulars. Furthermore, the audit aimed to provide reasonable assurance on the effectiveness of controls employed by the Office with respect to inventory management and visits abroad.

Follow-up Action

The ORC has drawn up an SOP to ensure that procurement needs are identified in time and procurement contracts are monitored so that timely action could be taken. The SOP has been communicated to all concerned staff. Regarding the shortcomings concerning inventory management, the ORC will move to new offices in September 2020, after which all assets at the new premises will be assigned an identification number in line with the relevant circular. It is pertinent to note that regular inspections will be carried out accordingly. Furthermore, the MHAS has drawn up a memo to ascertain that the regulations established to safeguard government's assets are being safeguarded.


RECOMMENDATIONS **ACCEPTED OR OTHERWISE** **JUSTIFICATION** **ACTION** **IMPLEMENTED OR DATE BY WHEN**


GOOD PRACTICE

<p>The National Audit Office was satisfied that overall, the procedures and internal controls in relation to the areas tested at the Office of the Refugee Commissioner were adequate and in sound operation.</p>				
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CONTROL ISSUES

Expired Agreement

<p>The MHAS is to ascertain that contracts are not extended beyond the prescribed timeframes. Before expiry of the term of agreement, a fresh procurement process is to be initiated on time by issuing a new call for tenders or by obtaining quotations, as applicable. This will ensure fairness and provide an equal opportunity to all interested parties.</p>			<p>MHAS has drawn up an SOP to reinforce the control mechanism.</p> <p>Controls are included in the SOP so that procurement needs are identified in time and procurement contracts are monitored to ensure that timely action is taken. An audit trail is being maintained.</p> <p>The management will ensure that the SOP is adhered to.</p> <p>It is the standard practice to enter into purchase agreements.</p> <p>An SOP has been put in place and communicated to all concerned staff. The SOP includes measures to ensure agreements are in place prior to commissioning services and effecting payments.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p>
<p>All services purchased are also to be duly backed up by a valid agreement, clearly laying down the terms and conditions agreed between the contracting parties.</p>				<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings related to Inventory Management</p> <p>For inventory control purposes, the ORC is to ensure that identification numbers are affixed to all assets falling within its responsibility.</p>			<p>Refcom will move to new offices in September 2020.</p> <p>All assets at the new office of the ORC will be assigned an identification number, which number will be affixed to the asset.</p> <p>All measures are being taken to safeguard existing ORC inventory items.</p> <p>Regular inspections will be carried out.</p> <p>MHAS has drawn up a memo to ascertain that the regulations established to safeguard the Government's assets are rigidly adhered to.</p> <p>The memo was communicated to all concerned staff.</p> <p>The management is ensuring compliance.</p>	<p>September 2020</p> <p>November 2020</p> <p>Implemented</p>
<p>Moreover, regular inspections are to be carried out to ascertain that the regulations established to safeguard Government's assets are rigidly adhered to.</p>				



MJCL
COURTS OF JUSTICE - REVENUE
(NOW UNDER THE MINISTRY FOR JUSTICE, EQUALITY &
GOVERNANCE)

MJCL

Courts of Justice - Revenue (Now under the Ministry for Justice, Equality & Governance)

The Courts of Justice, now Courts Services Agency (CSA), comprise three registrars, namely the Malta Civil Courts and Tribunals, the Malta Criminal Courts and Tribunals, and the Gozo Courts and Tribunals, as well as the Support Services Directorate. The registrars of the courts are responsible for the registries, the officers attached to them, the filing and service of judicial acts, registration of sitting minutes, execution of executive titles, such as judgments and warrants through court appointed marshals, judicial sales by auction, trials by jury, and other criminal court procedures.

The main purpose of the NAO audit was to verify that during 2018 there were the necessary internal controls over revenue generated from fines imposed by the Malta Courts and that collection thereof was being maximised.

Follow-up Action

To address the issues relating to the collection of fines, discussions are ongoing with MITA so that the LECAM system is enhanced. CSA has drawn up a Standard Operating Procedure (SOP) detailing the procedures to be followed. Additional staff was assigned responsibilities related to the collection of fines.

Reconciliations between fines reported in the court sentences and those entered in the LECAM system are being carried out on a regular basis. Furthermore, a memorandum of understanding between CSA and CCF has also been put in place in order to countercheck the calculation of conviction days.


CSA took note of the NAO's recommendation related to the lack of segregation of duties. However, the CSA considers that there is no need for more officers at the one-stop shop. Presently, apart from the Assistant Registrar, there is a Principal Officer who is responsible for fines collection and a Clerk who deals with the paperwork and with liaising with the correctional facility's officers.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>KEY ISSUES</p> <p>Limited Collection Effort An extensive exercise is necessary to ensure that there is an effective approach that maximizes the collection of fines.</p>	✓		<p>The Court Services Agency (CSA) has a Standard Operating Procedure (SOP) detailing the procedures to be followed for collection, which procedures are intended to maximise collection.</p> <p>Additional staff was assigned on collection of fines.</p> <p>The management is to ensure compliance.</p> <p>Discussions are being held with MITA in order to implement enhancement to the LECAM system.</p> <p>The CSA will ensure that the LECAM system will include all required information which will be kept updated at all times and be easily retrieved.</p>	<p>Implemented</p> <p>Ongoing</p> <p>November 2020</p>
<p>Fines not recorded in the System Reconciliations between fines reported in the court sentence delivered and those entered in the LECAM system are to be performed on a regular basis to ensure that records are complete, accurate, and any pending amounts are included in the Arrears of Revenue Return.</p> <p>Fines that did not feature in the LECAM system are to be duly recorded so that the respective payments are set off accordingly.</p>	✓		<p>The reconciliation process is included in an SOP detailing the frequency when such exercise is to be carried out, by whom, and the reviewer.</p> <p>Reconciliations are being carried out on a regular basis.</p> <p>The CSA is ensuring that all fines are included in the LECAM system (to make sure that a complete audit trail is maintained and that all amounts due are collected).</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>The CSA has drawn up an SOP detailing the entire process and communicated it to all concerned employees.</p> <p>The management is ensuring compliance.</p> <p>Any checking made is being duly documented.</p>	Implemented
<p>Incorrect Conversion of Fines in Confinement</p> <p>Considering the repercussions of such inaccuracies, the calculation of conviction days and recording thereof is expected to be independently counterchecked.</p>	✓		<p>An MOU with the Corradino Correctional Facility is in place, detailing the responsibility to confirm through counterchecking the calculation of conviction days. Such checking is being formally documented and evidenced.</p>	Implemented
<p>CONTROL ISSUES</p>				
<p>Unsystematic Collection Effort</p> <p>Every effort is to be made in order to increase the amount of revenue collected, by establishing a systematic way of how outstanding fines are followed up.</p>	✓		<p>The CSA has an SOP detailing the procedures in place to maximise collection.</p> <p>Additional staff was assigned for the collection of fines.</p> <p>The management is ensuring compliance.</p> <p>Discussions are being held with MITA in order to implement enhancement to LECAM.</p>	<p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of Segregation of Duties</p> <p>The Courts of Justice is to address the issue of lack of segregation of duties without undue delay while also ensuring continuation of the key process by better utilisation of staff.</p>	<p>X</p>	<p>There is no need for more officers at the one stop shop. Indeed, presently, apart from the Assistant Registrar, there is a principal officer who is responsible for fines collection and a clerk who deals with the paperwork and the liaison with the correctional facility's officers.</p> <p>A cashier receives either payments online or else from clients visiting the one stop shop.</p> <p>At the end of each day, this officer prints the report in which it enlists those fines paid online and those paid at the one stop shop. This report is then given to the accounts section, which verifies payments and endorses such reconciliations.</p>	<p>The CSA will ensure that the LECAM will include all required information which will be kept updated at all times and be easily retrievable.</p>	<p>November 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>No follow-up on pending Conviction Tickets</p> <p>Presently, the Criminal Courts are unable to determine whether the ticket was forwarded to the respective individuals by the MPF or not. To this effect, the Criminal Courts are expected to maintain constant liaison with the MPF to ensure that action was taken in this regard.</p>	<p>X</p>	<p>The CSA issues the conviction ticket and then the MPF takes the necessary action to execute the ticket. The CSA keeps continuous liaison with the MPF so that when the accused has actually served his/her time, the CSA is informed accordingly.</p>		
<p>Inaccurate Records related to Conviction Tickets</p> <p>Ideally, the LECAM system is to include all required information, which is to be constantly updated and easily retrieved, as deemed necessary.</p>	<p>✓</p>		<p>Discussions are being held with MITA in order implement enhancement to the LECAM.</p> <p>The CSA will ensure that the LECAM will include all required information which will be kept updated at all times and be easily retrievable.</p>	<p>Ongoing</p> <p>November 2020</p>
<p>Different Rates of Conversion</p> <p>Discussions are to be held with the Attorney General in order to establish whether it is possible and appropriate to amend the respective legislation as necessary.</p>	<p>X</p>	<p>Informal discussions with the Office of the Attorney General as regards the different rates of conversion between a fine <i>multa</i> and a fine <i>ammenda</i> were held.</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Limitations of the System</p> <p>The Courts are to enhance the current system in order to address the limitations highlighted above.</p>		<p>It is to be noted that Article 13 of Chapter 9 of the Laws of Malta, dealing with <i>ammenda</i>, stipulates that the fines to be awarded under this article are minimal.</p>	<p>The CSA has an SOP detailing the procedures in place to maximize collection.</p> <p>The management is ensuring compliance.</p> <p>Discussions are being held with MITA in order to implement enhancement to the LECAM.</p> <p>The LECAM will include all required information which will be kept updated at all times and be easily retrieved.</p> <p>The CSA has drawn up an SOP detailing the entire procedure concerning foreign fines, covering EU nationals. The SOP will be communicated to all staff responsible to collect such fines.</p> <p>The management is ensuring compliance.</p> <p>With regard to non-EU nationals deported from Malta, CSA converts the fines into imprisonment. Once the ticket of imprisonment is issued, the MPF is alerted to execute the said ticket as soon as the person comes back to Malta.</p>	<p>Implemented</p> <p>Ongoing</p> <p>November 2020</p> <p>Implemented</p> <p>Ongoing</p>



MJCL
ASSET RECOVERY BUREAU - EXPENDITURE
(NOW UNDER THE MINISTRY FOR JUSTICE, EQUALITY &
GOVERNANCE)

MJCL

Asset Recovery Bureau - Expenditure (Now under the Ministry for Justice, Equality & Governance)

Established under Legal Notice 357 of 2015 - 'Asset Recovery Bureau Regulations, 2015 as an autonomous public entity falling formerly under the remit of the Ministry for Justice, Culture and Local Government (MJCL), now the Ministry for Justice, Equality and Governance, the Asset Recovery Bureau (ARB) is entrusted with the proper and efficient management of instrumentalities and proceeds of crime which have been seized, frozen, or confiscated in terms of the Criminal Code, and to dispose of them in favour of the government. The bureau is governed by a board of five members, led by a chairperson, responsible for policy making, and a directorate, headed by a director, responsible for the implementation of the provisions of the ARB Regulations and the execution of the policies as established by the board. The ARB commenced its operations in August 2018 through Legal Notices 283 - 'Commencement Notice' and 284 - 'Asset Recovery Bureau (Amendment) Regulations, 2018' of the same year, thereby managing all new cases referred for freezing and confiscation from that date onwards.

The NAO audit was conducted in line with generally accepted auditing standards. Audit procedures were planned and performed to obtain reasonable assurance on whether the internal control structure at the ARB was adequate. To this effect, the main objective of this audit was to ascertain compliance with standing regulations and identify ways and means through which current practices could be improved.

Follow-up Action

The ARB has drawn up internal policies. These were circulated to all concerned staff, and will be revisited and revised every six months, as may be necessary. Detailed travel records are being kept, in line with established policies and guidelines.

With respect to the NAO's recommendation to seek the respective Permanent Secretary's approval ahead of incurring expenditure for visits abroad, the ARB clarified that, as from 1 January 2019, the ARB started managing their own travel arrangements, thereby only requiring their director's approval.

As regards to the inventory, an internal policy was drawn up in line with the pertinent circulars and an updated inventory register is expected to be completed by October 2020.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>COMPLIANCE ISSUES</p> <p>Non-compliance with Standing Travel Regulations</p> <p>Substantiating documentation, enabling verification of the relative components of subsistence allowance paid, is to be invariably maintained.</p>	<p>✓</p>		<p>The Asset Recovery Bureau (ARB) is ensuring that policies and guidelines are in place and available to all staff. Internal SOPs have been drawn up and are revised every 6 months.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p>
<p>Moreover, brief travel reports are also to be compiled by the travelling officers and submitted to the Ministry within one month after the visit, thereby enhancing accountability.</p>	<p>✓</p>		<p>ARB is ensuring that staff travelling abroad are submitting all necessary documentation at all stages in line with established policies and guidelines, and that this is maintained to ensure an adequate audit trail.</p>	<p>Implemented</p>
<p>It is also imperative to obtain prior approval of the respective Permanent Secretary ahead of incurring expenditure on visits abroad.</p>	<p>✗</p>	<p>As from 1st January 2019, the ARB started managing its own travelling arrangements, including seeking prior approval of the chairperson, in case the director is travelling, and the director's approval in case Bureau officers are</p>	<p>The Asset Recovery Bureau (ARB) is ensuring that policies and guidelines are in place and available to all staff. Internal SOPs have been drawn up and are revised every 6 months.</p> <p>The management is ensuring compliance.</p> <p>Due to the sensitivity of ARB functions, detailed travel reports are being held at the ARB.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings related to Inventory</p> <p>The compilation of an inventory database in line with the requirements of the pertinent circular is to be given utmost priority by the Bureau. All assets are to be recorded therein with a detailed description, enabling traceability from purchase, as well as to the respective location. Management is also to ensure that, as far as it is practicable, all items are physically marked with a permanent identification number, clearly distinguishing between those owned by the Bureau and items which are being leased along with the Bureau's premises.</p> <p>Regular updating of the inventory database coupled with periodic verifications is also recommended to ensure that inventory records truly the description and location of each item.</p>		<p>travelling prior to the incurring of expenditures on visits abroad.</p> <p>ARB is ensuring that the prior approval of the director is obtained ahead of incurring expenditure on visits abroad.</p>		
	✓		<p>All assets have been registered with detailed descriptions and location in the ARB's newly installed software for asset management, known as Mobile Asset.</p> <p>The management will update the compiled asset inventory database to be fully in line with MF Circular 14 of 1999.</p> <p>Any movement of assets is recorded, and the inventory is updated accordingly.</p> <p>ARB has drawn up an SOP in relation to periodic verifications. The SOP has been communicated to all concerned staff.</p>	<p>Implemented</p> <p>October 2020</p> <p>Implemented</p>



MJCL
MANOEL THEATRE - CAPITAL EXPENDITURE
(NOW UNDER THE MINISTRY FOR THE NATIONAL HERITAGE, THE
ARTS & LOCAL GOVERNMENT)

MJCL

Manoel Theatre – Capital Expenditure (Now under the Ministry for the National Heritage, the Arts & Local Government)

The Manoel Theatre (MT) was built by the Order of the Knights Hospitaller in 1731. It is considered as one of the most important performing arts venues on the island. The operation and running of this theatre is entrusted to the Manoel Theatre Management Committee, which is responsible to ensure a continuous programme of cultural and artistic events. There is no legislation specifically regulating the running of the MT but this entity is incorporated in Act No. XV of 2015 – ‘Arts Council Malta Act, 2015’, providing for the establishment of the Arts Council Malta.

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

Follow-up Action

In order to address the issues reported by the NAO, MT management finalised the pending financial statements for years ending 2014 to 2016 and will ensure that any pending financial statements will be finalised by November 2020.

Board meetings are being held regularly in line with the pertinent Act. Management accounts are being prepared quarterly and presented to the said board.

By end November 2020, MT will draw up an SOP to ensure that the Public Procurement Regulations are adhered to. Procurement plans are being prepared in advance and are being monitored accordingly.

With respect to the NAO recommendation related to the Fixed Asset Register, MT has implemented inventory control procedures in line with MF Circular No. 14/99 – ‘Government Accrual Accounting: Revised Inventory Control Regulations’. Inventory databases are being updated and maintained accordingly.

IMPLEMENTED OR DATE BY WHEN

ACTION


JUSTIFICATION



ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES


<p>Audited Financial Statements not prepared for the last Five Years</p> <p>Audited financial statements are an indispensable tool to provide unbiased and objective assessment of whether public resources are managed responsibly and effectively. Thus, for the sake of good governance, Management is expected to comply immediately with the reporting mechanism, by preparing the respective financial statements and formally submit a request for them to be audited.</p>	<p>✓</p>		<p>The management finalised the audited financial statements for the years ending 2014 to 2016.</p> <p>The management will ensure that the audited financial statements for 2017, 2018 and 2019 will be finalised without any further delays.</p>	<p>Implemented</p> <p>November 2020</p>
<p>Committee Meetings not held at Regular Intervals</p> <p>Management is to acknowledge the importance of holding Board meetings on a more regular basis as this create the opportunity for both executive and non-executive directors to articulate ideas on the entity's strategy, whilst allowing for problem solving in a timely manner.</p> <p>Moreover, minutes are to be duly kept and appropriately filed.</p>	<p>✓</p>		<p>Board meetings are being held in line with the pertinent Act.</p> <p>Meeting minutes are being taken during meetings and filed accordingly.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Board of Directors not provided with adequate and timely Management Accounts</p> <p>It is pertinent that the Management Committee is presented with adequate and timely accounting information that not only assists in</p>	<p>✓</p>		<p>Management accounts are being prepared quarterly as required by Article 27 of the Arts Council Malta Act and are reflected in the board minutes.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>the day-to-day operations of the entity, but also in the creation of policies through which targeted goals are achieved.</p>			<p>The management is ensuring that budgets are prepared according to best practices in budgetary forecasting to make sure targets are achieved on time.</p>	<p>Implemented</p>
<p>Non-adherence to Public Procurement Regulations</p> <p>The PPR are to be invariably complied with.</p> <p>Any needs for goods and services are to be determined at an early stage, allowing enough time to follow the appropriate procurement procedures.</p>			<p>The Teatru Manoel will draw up an SOP detailing the revisited methodology with regard to the procurement procedures. The SOP will be in line with the PPRs.</p> <p>Procurement plans are being prepared annually, in advance.</p> <p>The plan is being monitored and acted upon as necessary so as to ensure timely procurement procedures.</p> <p>Management is ensuring that the list of departmental contracts awarded and variations over 5% of contract value is being published in the Government Gazette, as required in terms of the PPR Article 111(2).</p> <p>The management will ensure that any services, supplies, and/or works are properly governed by valid contract agreements and supported by fiscal documentation.</p>	<p>November 2020</p> <p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>December 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Fixed Asset Register not in place</p> <p>Government property is to be adequately safeguarded. To this effect, adherence to inventory control regulations is recommended. This entails the compilation of a reliable and complete database, identifying all assets falling under the MT's remit, as stipulated in MF Circular No. 14/99 – 'Government Accrual Accounting: Revised Inventory Control Regulations'. It is pertinent that such exercise is carried out without further delay.</p>			<p>Inventory control procedures have been implemented in line with MF Circular No. 14/99 – 'Government Accrual Accounting: Revised Inventory Control Regulations'.</p> <p>The management is ensuring that inventory databases are accurately maintained.</p>	<p>Implemented</p> <p>Ongoing</p>
CONTROL ISSUES				
<p>Procurement</p> <p><u>Variations not duly approved and not supported by Architect's Certificate</u></p> <p>In line with pertinent regulations, variations are to be duly authorised from the right level of authority.</p> <p>Payments are only to be processed following submission of certification of the works performed.</p>			<p>The necessary internal controls are to be in place to ensure that prior to entering into any commitments, variations are approved as per standing regulations.</p> <p>The management is ensuring variations are kept to the absolute minimum and strictly in line with PPRs.</p> <p>The management is ensuring that prior to effecting payments, works are certified and payments authorised as per standing regulations and procedures.</p>	<p>September 2020</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Invoices not certified correct prior to the issuing of Payments</p> <p>Strong internal controls are to be adopted and implemented so as to ensure that invoices are thoroughly checked and certified correct prior to the issuance of payments.</p>	✓		<p>Variations outlined by the NAO have been verified and certified by the architects.</p> <p>Robust internal controls related to the invoice payment process will be put in place to ensure that only invoices that are thoroughly checked and certified correct are paid.</p> <p>The management is to ensure compliance.</p>	<p>Implemented</p> <p>December 2020</p>
<p>Lack of Adequate Planning</p> <p>Estimates compiled are to incorporate all material and services necessary for the full execution of the project. In the event that variations to projects are unavoidable, prior approval is to be requested and duly obtained from the appropriate level of authority, before works are executed.</p> <p>Moreover, utilisation of European Union funds at the entity's disposition is to be maximised.</p>	✓		<p>A procurement plan is being prepared annually.</p> <p>For future procurement, estimates will be compiled to incorporate all material and services necessary for the full execution of the project.</p> <p>The necessary internal controls are to be in place to ensure that prior to entering into any commitments, variations are approved as per standing regulations.</p> <p>The management is ensuring that variations, if required, are kept to the absolute minimum.</p> <p>The management is in contact with the competent authorities to explore possible funding opportunities.</p>	<p>Implemented</p> <p>November 2020</p> <p>September 2020</p> <p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Accounting Issues</p> <p>Depreciation Rates not in line with <u>Accounting Standards</u></p> <p>The application of a reasonable depreciation rate is important, so as to reflect a true and fair picture of the value of the assets in line with Accounting Standards.</p>	✓		<p>The management is ensuring that correct depreciation rates are applied, in line with pertinent accounting standards.</p> <p>Financial statements are being audited accordingly.</p>	Ongoing
<p><u>Capitalisation of Assets upon payment of Deposit</u></p> <p>In line with Accounting Standards, fixed assets are only to be capitalized when the respective item is actually received and in a usable condition.</p>	✓		<p>Fixed assets will only be capitalised in line with the pertinent accounting standards.</p>	Ongoing
<p>Data Fragmentation</p> <p>For the sake of transparency and efficiency, documentation is to be maintained in an organised and systematic manner so as to ensure completeness and audit trail.</p>	✓		<p>Filing procedures are in place in order to ensure a systematic and complete audit trail.</p> <p>The management is carrying out verifications to ensure compliance.</p>	Ongoing Ongoing

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>COMPLIANCE ISSUES</p> <p>Non-compliance with Fiscal Legislation</p> <p>Officer in charge of accounts is to ensure that all suppliers who have received payments, or part thereof, for goods and services provided, adhere to the VAT regulations by providing a proper tax invoice. In the absence of such submission, defaulters are to be reported to the VAT Department.</p>			<p>Teatru Manoel is to ensure that all purchases are covered with fiscal documentation in line with the applicable regulations.</p> <p>In the absence of fiscal documentation, all defaulters will be reported to the pertinent authorities.</p>	<p>November 2020</p> <p>September 2020</p>



MJCL
VALLETTA EUROPEAN CAPITAL OF CULTURE 2018 FOUNDATION -
EXPENDITURE
(NOW UNDER THE MINISTRY FOR THE NATIONAL HERITAGE, THE
ARTS & LOCAL GOVERNMENT)

MJCL

Valletta European Capital of Culture 2018 Foundation - Expenditure (Now under the Ministry for the National Heritage, the Arts & Local Government)

The Valletta European Capital of Culture 2018 Foundation (hereafter referred to as the Valletta 2018 Foundation) was set up in June 2011 to be responsible for Valletta's journey towards the title of the European Capital of Culture in Malta in 2018. The aim of the foundation was to enable social, economic, and environmental growth that would render Valletta an even more remarkable city. The foundation took charge of the European Capital of Culture programme in Malta, which was developed with various local and international communities, and consisted of an ambitious programme of over 140 projects and 400 events taking place throughout 2018.

The main purpose of the NAO audit was to verify whether procurement procedures adopted by the Valletta 2018 Foundation were adequate and in compliance with the pertinent legislation. The National Audit Office (NAO) also sought to determine the level of existing internal controls, as well as to establish whether government resources were used prudently and in a judicious manner.

Follow-up Action

In order to address the NAO observations concerning weak internal controls over expenditure, the VCA recruited a financial controller to further strengthen monitoring of procurement processes. Moreover, an SOP detailing the procurement cycle has been drawn up. By the end of December 2020, training will be provided to VCA employees on government circulars, rules, and regulations.

As regards the control issues outlined in the NAO report, VCA management is ensuring that all procurement is in line with the Public Procurement Regulations, and that all services and goods procured are backed with a valid contract. The VCA is also ensuring that Direct Orders are resorted to only in exceptional circumstances in line with the pertinent rules and regulations.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

Weak Internal Controls over Expenditure

The Public Procurement Regulations (PPR) 2016 stipulate that, where the estimated value of goods and services exceeds €10,000, these may be procured after a Departmental call for tenders. In exceptional cases, provided adequate justification exists, procurement may be made through a direct contract, after obtaining written approval from MFIN. These regulations are to be invariably adhered to in order to ensure transparency, accountability and equal opportunities to all interested parties. As far as possible, procurement through DOs is to be resorted to only in exceptional circumstances.

Furthermore, commitments with service providers are only to be entered into once all the necessary authorisations are in place.

Entities are to ensure that services procured, especially those of a substantial value, are backed by an agreement endorsed by the contracting parties. This document is to clearly lay down the terms and conditions of the services to be provided. The original copy of the agreement is to be filed for future reference.



A financial controller has been recruited to further strengthen monitoring of procurement processes.

Training will be provided to employees on government circulars, rules, and regulations.

All procurement has been centralised to ensure consistency. Arrangements have been made for a senior public officer to carry out procurement-related duties for the agency.

The management will ensure that the officers responsible for procurement are adequately trained.

An SOP detailing the procurement cycle has been prepared and communicated to the respective staff.

The management is ensuring that all procurement is effected in line with the PPR.

The Valletta Cultural Agency is ensuring that the services procured are backed by a valid contract, which contract is duly filed.

Implemented

December 2020

Implemented

December 2020


Implemented

Ongoing

Ongoing

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Entities are also to ensure that fiscal documentation obtained for every purchase of goods or services is in line with standing Value Added Tax regulations, while defaulters are to be reported to the pertinent authorities.</p> <p>Furthermore, for the sake of transparency, the list of Departmental contracts and the DOs awarded is to be published as per standing regulations.</p>	✓		<p>An SOP detailing the payment process has been drawn up and communicated to all concerned staff.</p> <p>The management is to ensure compliance.</p> <p>The Valletta Cultural Agency is ensuring that all payments are supported with the necessary fiscal documentation in line with the pertinent circulars, rules, and regulations.</p> <p>The VAT defaulters return is being submitted to the pertinent authorities in line with the pertinent circular.</p> <p>The Valletta Cultural Agency is to ensure that the list of awarded contracts is published as per standing regulations.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>
<p>CONTROL ISSUES</p> <p>‘Hekk Jgħid il-Malti’</p> <p>No commitments are to be placed with service providers unless the necessary approvals are in place.</p>	✓		<p>The management is ensuring that all procurement is effected in line with the PPR and that no commitments are entered into unless the necessary approvals are in place.</p> <p>All documents will be double checked prior to finalisation and signing.</p> <p>The Valletta Cultural Agency is ensuring that Direct Orders are resorted to only in exceptional circumstances in line with the pertinent rules and regulations.</p>	<p>Ongoing</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Furthermore, contract agreements are to be entered into, endorsed and dated by the contracting parties in a timely manner, otherwise they will not serve their purpose.</p>	✓		<p>The Valletta Cultural Agency is ensuring that the services/goods procured are backed by valid contracts, signed prior to the effective date and duly filed.</p> <p>An SOP detailing the payment process has been drawn up and communicated to all concerned staff.</p> <p>The management is ensuring compliance.</p> <p>A Financial Controller has been recruited to further strengthen monitoring of procurement processes.</p> <p>Training will be provided on government circulars, rules and regulations.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p> <p>December 2020</p> <p>Implemented</p>
<p>Adequate controls are also expected to be in place to ensure that payments are effected in line with the terms and conditions laid down in the respective contracts for service.</p>			<p>An SOP detailing the payment process has been drawn up and communicated to the respective staff.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p>
<p>‘Pageant of the Seas 2018’</p>	✓		<p>The agency is ensuring that all the necessary documentation is in place throughout the procurement cycle.</p> <p>An SOP has been drawn up detailing that all works will be duly certified prior to payment being made.</p> <p>The SOP has been communicated to the respective staff.</p>	<p>Ongoing</p> <p>Implemented</p> <p>Implemented</p>
<p>This Office reiterates that, to serve their purpose, contracts are to be entered into before the provision of the respective services.</p>				
<p>Furthermore, adequate verification is to be performed before payments are effected and all procurement</p>				

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>is to be covered by the necessary approvals.</p>			<p>The management is to ensure compliance.</p>	
<p>‘Orfeo and Majnn’ As already recommended, commitments are not to be made with service providers unless all the necessary approvals are in place.</p> <p>Furthermore, the contracts for service, reflecting the approved prices and conditions, are to be duly endorsed before the engagement actually commences, thus ensuring that all the applicable terms and conditions have been mutually agreed beforehand.</p>			<p>The management is ensuring compliance with rules and regulations governing public procurement. All documents will be double checked prior to finalization and signing. The Valletta Cultural Agency is ensuring that the services/goods procured are backed up by a valid contract, signed prior to the effective date, and duly filed.</p>	<p>Ongoing</p> <p>Ongoing</p>



MESDC
ENVIRONMENT & RESOURCES AUTHORITY
(NOW UNDER THE MINISTRY FOR THE ENVIRONMENT,
CLIMATE CHANGE & PLANNING)

MESDC

Environment & Resources Authority – Revenue & Expenditure (Now under the Ministry for the Environment, Climate Change & Planning)

The Environment and Resources Authority (ERA) was set up under the portfolio of the Ministry for the Environment, Sustainable Development and Climate Change as the environmental and resource regulator in Malta, following the demerger of the Planning and Environment protection functions of the Malta Environment and Planning Authority. It is regulated by the Environment Protection Act 1 of 2016 (Cap. 549).

The main purpose of the NAO audit was to verify whether procurement procedures adopted were in compliance with the pertinent financial regulations and policies. The audit also sought to gain an understanding of the procedures and internal controls in place at ERA with respect to the payroll process, revenue collection, as well as Information Technology (IT) systems in place.

The National Audit Office satisfactorily noted that prior approvals were obtained as necessary from the right level of authority before disbursement of amounts from the accounts tested. Moreover, procurement procedures were followed in accordance with pertinent legislation. This Office is also satisfied that the overall IT setup and systems in use within the Authority in terms of procurement, payroll and revenue, were in place. Furthermore, all documentation relating to the audit was held in an organised manner and was readily available upon request.

Follow-up Action

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

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>GOOD PRACTICE</p> <p>The National Audit Office satisfactorily noted that prior approvals were obtained as necessary from the right level of authority before disbursement of amounts from the accounts tested. Moreover, procurement procedures were followed in accordance with pertinent legislation. This Office is also satisfied that the overall IT setup and systems in use within the Authority in terms of procurement, payroll and revenue, were in place. Furthermore, all documentation relating to the audit was held in an organised manner and was readily available upon request.</p>			<p>No action required. In its reply management appreciated the discussions conducted with NAO with a view to improve best practice efforts.</p>	



MFTP
MALTESE HIGH COMMISSION IN CANBERRA –
INCOME EXPENDITURE
(NOW UNDER THE MINISTRY FOR FOREIGN &
EUROPEAN AFFAIRS)

MFTP

Maltese High Commission in Canberra – Income & Expenditure (Now under the Ministry for Foreign & European Affairs)

The Maltese High Commissioner in Canberra, Australia is principally responsible to provide leadership and resource management to the Mission in addition to monitor and assist Consul Generals in Melbourne and Sydney, who fall under his jurisdiction. Besides promoting Maltese interests in Australia, the High Commission provides various consular services. In addition, it issues pension payments to eligible individuals on behalf of the Department of Social Security in Malta.

The objectives of the NAO audit were thus to ensure the efficient administration of public funds; ascertain that resources are being used judiciously; assess the reliability and adequacy of information available for decision-making and accountability purposes; to make recommendations, where warranted, based on best practices; and to verify that revenue from consular services was duly received and accounted for. In this regard, audit testing revealed weaknesses with regard to internal controls where, for instance, contracted services were not supported by agreements or adequate documentation, payment vouchers that were drawn up merely as a formality, upkeep of records, untimely bank deposits, and shortcomings relating to inventory.

Follow-up Action

MFEA is taking the necessary actions to implement the recommendations put forward by the NAO. This was essentially effected by drawing up detailed manuals of applicable financial procedures, travel and human resources. These manuals were disseminated to all missions abroad. Moreover, a call for two Assistant Managers (Accounting and Finance) has been issued to implement the internal control structure. Whilst management will see that compliance with such manuals is ensured, applicable training was also provided to the staff concerned.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>KEY ISSUES</p> <p>Lack of Substantiating Documentation</p> <p>The Directorate for Corporate Services is to take remedial action by implementing an appropriate internal control structure. For the sake of transparency, the pertinent directives and guidelines are to be adhered to. Records forming the basis of decision making are to be maintained and filed for future reference.</p>	<p>✓</p>		<p>A call for two Assistant Managers (Accounting and Finance) has been issued to implement the internal control structure.</p> <p>Two manuals on travel and financial procedures have been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance.</p> <p>Training is being provided to all staff working within the Mission on travel, HR, accounting, and procurement functions.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>
<p>Completeness of Revenue not ascertained</p> <p>The MFTP is expected to request Missions to submit timely, accurate and detailed information, which data is then to be forwarded to the aforementioned entity. This will ensure that any shortcomings are detected at an early stage and that necessary action is taken in a timely manner.</p>	<p>✓</p>		<p>Payments by Missions to the Identity Malta Agency with respect to services rendered are supported by request for service forms and detailed reports. These are provided in an accurate and timely manner.</p> <p>MFEA is ensuring compliance.</p> <p>The manual concerning "Monies Received" has been revised and disseminated to all staff working within the Missions Abroad.</p> <p>Training is being provided to all concerned staff.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Consular Service Fees not in line with Standing Regulations</p> <p>The Mission is to ensure that amounts charged for consular services are in line with those established by law.</p> <p>Official rates are also to be established for any consular services which are not yet regulated by standing legislation.</p>	<p>✓</p>		<p>A manual on financial procedures has been issued and communicated to all Missions Abroad. Training is being provided.</p> <p>MFEA is ensuring compliance.</p> <p>A manual on financial procedures has been issued and communicated to all Missions Abroad. Training is also being provided.</p> <p>MFEA is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Contracted Services not supported by Agreement or Adequate Documentation</p> <p>It is pertinent that expenditure met out of public funds is properly substantiated by official source documentation, thus enabling verifications as well as reconciliations where applicable.</p> <p>Furthermore, procurement regulations are to be followed rigorously with quotations to be submitted for approval prior to entering any commitments.</p>	<p>✓</p>		<p>A manual on financial procedures that includes procurement matters has been issued and communicated to all Missions Abroad. Training is also being provided to Mission Desk Officers.</p> <p>MFEA is ensuring compliance.</p> <p>The management is ensuring that procurement regulations are being followed at all times.</p> <p>The Mission will keep a log book of postage and courier. In addition, the 'Yellow Sheet' statement will be included with the Mission monthly accounts as per the applicable Manual.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Carriage of Personal Belongings Requests for the transporting of personal effects are to be made to the Permanent Secretary within two months from the date of the end of posting, after obtaining three quotations from potential service providers.</p>	<p>✓</p>		<p>A manual on financial procedures has been issued and communicated to all Missions Abroad. The management is ensuring compliance.</p>	<p>Implemented</p>
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ACCOUNTING

<p>Payment Vouchers drawn up merely as a formality In line with the cited regulations, all payments are to be covered by proper authority, thus payment vouchers are to be raised and approved accordingly before the settlement of outstanding balances.</p>	<p>✓</p>		<p>Two manuals on financial and HR procedures have been issued and communicated to all Missions Abroad. The Ministry is ensuring that the General Financial Regulations are adhered to at all times.</p>	<p>Implemented Ongoing</p>
<p>Wrong Incidence of Charge More diligence is to be exercised when allocating amounts to ensure that the related expenditure is correctly reported under the pertinent line items.</p>	<p>✓</p>		<p>Training in respect of the new CFMS has been delivered to officers. During such training a list of incidence of charge, including definitions, has also been provided. Instructions were re-issued to accounts officers to vet and rectify any wrong incidence of charge. The management is ensuring compliance.</p>	<p>Implemented Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Upkeep of Records</p> <p>Attendance records are to be prepared by the respective officers in an accurate and timely manner and appropriately vetted by the responsible officer.</p> <p>It is also to be ensured that any leave availed is deducted from the officer's entitlement.</p> <p>Moreover, the MBOs' and LEPs' salary adjustments are to be duly approved before effecting payment.</p>	✓		<p>Two manuals on financial and HR procedures have been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance with HR procedures.</p> <p>The management is ensuring that any leave availed of is deducted from the officer's entitlement.</p> <p>The management is ensuring that the MBO's and LEP's salary adjustments are duly approved before effecting payment.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Shortcomings relating to Inventory</p> <p>Full compliance with MF Circular No. 14/99 is recommended, whereby approval from the right level of authority is to be sought prior to the disposal of any assets. In addition, Management is to make sure that officers in charge of inventory are aware of the statutory returns that are to be compiled and that accurate and timely feedback is submitted to the pertinent authorities.</p>	✓		<p>A new section, 'Infrastructure and Security Unit', has been established and tasked with inventory management.</p> <p>Two manuals on financial and HR procedures have been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance with MF Circular 14/99.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

COMPLIANCE ISSUES

<p>Lack of Compliance with Standing Travel Regulations</p> <p>MBOs are to invariably adhere to the provisions of the Conditions of Service and follow the Manual on Transport and Travel Policies and Procedures with respect to travelling abroad.</p> <p>Moreover, substantiating documentation, enabling verification of the subsistence allowance paid, is to be maintained at all times. Approval from higher authority is also to be duly sought ahead of making any travel arrangements.</p> <p>As required by standing regulations, officers returning to the HO are also to submit a report to the Permanent Secretary, two months ahead of their termination of post, to enhance accountability.</p>	<p>✓</p>		<p>A manual on travel has been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance.</p> <p>The manual on travel has been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance.</p> <p>The manual on travel has been issued and communicated to all Missions Abroad.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Untimely Bank Deposits</p> <p>In line with best practice, for the safeguarding of funds as well as to minimise the negative impact on the Mission's cash flow, cash and cheques are to be deposited on a regular basis. Authorisation from the Permanent Secretary is to be requested if deposit arrangements are to differ from the requirements set by standing regulations.</p>	<p>✓</p>		<p>MFEA is giving due consideration to logistical and security issues, and has adopted the necessary arrangements in line with standing regulations.</p>	<p>Implemented</p>



MTIP
PERSONAL EMOLUMENTS

MTIP

Personal Emoluments

The Ministry for Transport, Infrastructure and Capital Projects (MTIP) operates through a number of departments, including Works and Infrastructure, the Project Monitoring Unit, and the Land Expropriation Unit, amongst others.


The main purpose of the NAO audit was to determine and assess the level of internal controls in the payroll process, as well as to verify whether the relevant regulations were being followed.

The NAO was satisfied that the procedures and controls in relation to the areas tested were adequate and of sound operation. Additionally, all documentation requested was made available in a timely manner. The staff was well versed in their respective areas of work and replied to all queries raised by the NAO.

Follow-up Action

To address the NAO's concerns relating to an allowance, MTIP assigned an officer the responsibility of verifying the respective attendance sheets on a weekly basis, and if discrepancies are identified, these are being addressed immediately.

Discussions were held between MTIP's senior management in order to formalise the Security Section shifts. The ministry will initiate further discussions with stakeholders to ensure that the employees' working hours and remuneration are revised in line with the standing rules, regulations, and the respective class agreement.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>GOOD PRACTICE</p> <p>The NAO was satisfied that the procedures and controls in relation to the areas tested were adequate and in sound operation. Additionally, all documentation requested was made available in a timely manner. Staff was well versed on their respective areas of work and replied to all queries raised by this Office.</p> <p>From the NAO's analysis, only one exception was noted, as detailed below.</p>				
<p>CONTROL ISSUES</p> <p>Concerns relating to Allowance</p> <p>A thorough review by the MTIP of this employee's working hours and the respective remuneration is encouraged. This would ensure that all hours this individual is putting in are justified, and that the remuneration paid faithfully reflects the extra hours performed.</p>			<p>Discussions were held between DG SS, PS MTIP and various stakeholders, and as a result the Security Section shifts were formalised.</p> <p>An officer is verifying the attendance sheets on a weekly basis by endorsing the same. Discrepancies, if any, are being flagged to superiors.</p> <p>The Ministry will initiate discussions with stakeholders to ensure that the employee's working hours and remuneration are revised in line with the standing rules, regulations, and the respective class agreement.</p>	<p>Implemented</p> <p>Implemented</p> <p>September 2020</p>



MGOZ
STORES

MGOZ Stores

The aim of the Ministry for Gozo (MGOZ) is to create sustainable, good quality, and productive jobs in Gozo through the creation of a conducive socio-economic environment, while at the same time protecting the inherent and distinctive natural features that distinguish the island.

The purpose of the NAO audit was to determine the level of existing internal controls over stock items and whether there was adequate stock management in line with pertinent circulars. The audit also sought to confirm whether items purchased were taken on charge, issues duly authorised, and the respective cost allocated to the particular job, where applicable.

In this regard, the NAO noted shortcomings with regard to security of stores, the registration of order levels, the provision of equipment to enhance accountability and safety, reconciliation of consumption of stock, procurement of cleaning material, and segregation of duties.

Follow-up Action

To redress the weaknesses noted by the NAO, MGOZ has implemented various actions and is in the process of implementing other actions. Primarily, action was taken to ensure that proper records are kept and returns are prepared and sent accordingly. As regards key issues, discussions are being held to install a security system complete with an alarm system and CCTV at the Main Store.

With respect to the control issues at the Kajselli Stores, MGOZ adopted the stock module within the CFMS system to ensure accuracy of valuation of the stock items. Moreover, access to the Spalls Dump Section has been restricted to authorised personnel to enhance accountability and safety.

Detailed SOPs have also been drawn up and communicated to all concerned. Reconciliations of stock are being carried out between the opening stock, the closing stock, delivery notes and the vouchers presented at the Incontinence Distribution Centre. MGOZ is also ensuring that stocktaking returns are submitted annually to the NAO as per Treasury Circular No. 6/2004. In order to address the NAO's concern with respect to the segregation of duties, MGOZ took immediate action and assigned responsibility of the Kajselli Stores and of the workshop to two distinct officers.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>in order to minimise such differences.</p> <p>It is also advisable that the maximum and minimum order levels available in the stock system are used, as this could help to highlight certain errors.</p>			<p>The maximum and minimum order level will be included in the Stock Module of the CFMS.</p>	<p>March 2021</p>
<p>Spalls Dump Section</p> <p>Besides restricting access to the area, the MGOZ is encouraged to furnish the section with the necessary equipment to enhance accountability and safety.</p>	<p>✓</p>		<p>MGOZ is restricting access to the Spalls Dump Section to enhance accountability and safety at the facility.</p> <p>Inventory stock of the facility has been incorporated into one system so that the Spalls Dump Section forms part of the main system.</p> <p>A fork lifter has been purchased and is operational.</p> <p>MGOZ has drawn up an SOP detailing the entire procedure. The Spalls Dump Section has been furnished with safety and measuring equipment.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Gozo Experimental Farm</p> <p>For the sake of accountability and as a control measure, considering the nature of the expense involved, one would expect at the very least a basic reconciliation of actual consumption to the products' recommended daily consumption guidelines.</p>	<p>✓</p>		<p>The entire process is detailed in an SOP that has been communicated to the concerned staff. The reconciliation exercise is being verified by a senior officer and documented to ensure adequate audit trail.</p> <p>The management is ensuring compliance.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>A requisition form is also to be used for internal control purposes.</p>			<p>A requisition form is being used for internal control purposes. The management is ensuring compliance.</p>	Implemented
<p>Store for Incontinence Supplies Effort is to be made to transfer stock records to an appropriate computer program in order to improve accountability and simplify work. Moreover, delivery notes are only to be signed following proper verification to confirm the actual goods received.</p>	✓		<p>MGOZ has developed a separate IT system that records stock movement via a Quick Response Code Reader. It is standard procedure that the delivery notes received are checked against the actual stock delivered at the same time of delivery. When a discrepancy is found it is corrected immediately on the delivery note.</p>	Implemented
<p>Contracts formalising agreements with suppliers are to be made available for audit purposes.</p>			<p>MGOZ is ensuring that quantities of the delivery notes tally with the stock records. A reconciliation is being carried out between the opening stock, the closing stock, delivery notes and the vouchers presented at the Incontinence Distribution Centre. MGOZ is ensuring that contract agreements are filed and available for audit purposes.</p>	Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>LACK OF ACCOUNTABILITY</p> <p>Engineering Section Store / Dawwara Nursery</p> <p><u>Engineering Section Store</u></p> <p>Basic control procedures require that adequate stock records are in place to ensure accountability. These are to be reconciled to the physical stock at least annually. Such a requirement is even more important at this stage when the MGOZ is on the verge of implementing accrual accounting.</p>	✓		<p>MGOZ is ensuring that control procedures are in place at the Engineering Section store.</p>	<p>Implemented</p>
<p><u>Dawwara Nursery</u></p> <p>Additionally, internal controls are expected to be enhanced, to ensure that the stock of plants is safeguarded, thus avoiding misappropriation.</p>		<p>The Dawwara Nursery within MGOZ enhanced its internal controls to ensure that the stock of plants is safeguarded, thus avoiding misappropriation.</p>	<p>Implemented</p>	<p>Implemented</p>
		<p>An SOP detailing the entire process has been drawn up.</p>	<p>Implemented</p>	<p>Implemented</p>
		<p>MGOZ is recording the issues of plants on pre-printed books in numerical sequence until the CFMS system is fully-operational.</p>	<p>Implemented</p>	<p>Implemented</p>
		<p>The management is ensuring compliance.</p>		

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

<p>Cleaning Materials</p> <p>The Ministry is encouraged to adopt the planned period contracts without undue delay. Besides being cost effective, this practice should also ensure better control.</p>	<p>✓</p>		<p>MGOZ is to publish the tender for the procurement of cleaning materials.</p>	<p>December 2020</p>
<p>Lack of Segregation of Duties</p> <p>Segregation of duties, where possible, is highly recommended, for proper internal control purposes.</p>	<p>✓</p>		<p>MGOZ has assigned responsibility of the Kajselli stores and of the workshop to two distinct officers to ensure segregation of duties.</p>	<p>Implemented</p>

COMPLIANCE ISSUES

<p>Bin Cards do not meet the purpose</p> <p>The appropriate use of bin cards in addition to ledgers is encouraged as mistakes are minimised when entries are recorded concurrently with stock movement. In this way, control over stock is also more effective and discrepancies are identified more easily.</p>	<p>✓</p>		<p>The stock control system is IT-based.</p> <p>MGOZ is ensuring that stock movement records satisfy the requirements of the Stock Control Procedures, Treasury Circular No. 6/2004.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Statutory Stock Return not submitted to the NAO</p> <p>Management is to ensure that entrusted officers are responsible for compliance with statutory requirements, including the annual submission of information to the NAO.</p>	<p>✓</p>		<p>MGOZ is ensuring that stocktaking returns are submitted annually to the NAO and stocktaking is carried out as per Treasury Circular No. 6/2004.</p>	<p>Implemented</p>



MFCS
PUBLIC SOCIAL PARTNERSHIPS - EXPENDITURE

MFCS

Public Social Partnerships - Expenditure

Since 2015, the Ministry for the Family, Children's Rights and Social Solidarity (MFCS) has been entering into various public social partnership (PSP) agreements to fund the administrative costs of voluntary organisations (VOs) whose contribution to civil society includes the running of residences for individuals with special needs, mental health problems, drug abusers, the homeless, children with challenging behaviour, as well as the rehabilitation of former offenders. The Voluntary Organisations Act, Cap. 492 of the Laws of Malta, establishes the Office of the Commissioner for Voluntary Organisations (OCVO) as the authority responsible for the monitoring of VOs. Organisations registered with the said authority are eligible for financial aid from the government, provided, amongst others, that their audited financial statements of the prior year are submitted to the OCVO.

The main purpose of the NAO's audit was to determine the level of internal controls over the payments settled to cover PSP agreements during the financial year of 2018. The audit also sought to ascertain that all contracting parties adhered to the contractual clauses and applicable legislation. Amongst others, it noted weaknesses with regard to the internal control environment, the enforcement of eligibility criteria for VOs, endorsement of payments, monitoring by the Foundation for Social Welfare Services, and a lack of physical inspections.

Follow-up Action

To redress the NAO's observations, MFCS implemented various actions varying from the drawing up of checklists and standard operating procedures as well as memoranda of understanding.

As regards the enforcement of eligibility criteria, MFCS set up a yearly procedure to confirm the compliance of standing partner VOs. Moreover, monitoring of service standards is being carried out. This falls within the remit of the Social Care Standards Authority (SCSA) in terms of CAP 582 of the Laws of Malta. FSWS is also ensuring that its professionals monitor the 'care plans' of service users placed with the NGOs. The service delivery is monitored by employees from Agenzija Appogg or Agenzija Support, depending on the nature of the services being delivered. A memorandum of understanding (MOU) between MFCS and SCSA will be drawn up by September 2020 so as to clearly lay down the tasks to be carried out by both parties, including reporting obligations and communication channels. With respect to the two residential homes, an MOU was finalised to define the role of each partner in the provision of the service.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

Internal Control Environment in need of improvement

In view of the materiality of the amounts involved, the Ministry is expected to implement its internal control measures to be able to administer these funds more efficiently.

Regular monitoring of relative agreements, as well as proper scrutiny of the records submitted by the VOs, is also solicited.



MFCS will be drawing up an SOP outlining procedures to ensure compliance with pertinent legislation.

Any verifications carried out will be documented and subject to the necessary reviews.

The checklist which is in place to ensure that VOs submit all the relative documentation has been incorporated as an appendix to the agreements to give it more legal strength.

The management is ensuring that the checklist covers the entire process.

December 2020

December 2020

Implemented

CONTROL ISSUES

Enforcement on Eligibility Criteria needs to be enhanced

Before signing a new PSP agreement, the Ministry is to obtain a copy of the Certificate of Enrolment issued by the OCVO, along with a written confirmation of the VO's compliance with the legislation, hence ensuring their eligibility for public funds. A similar procedure is to be conducted annually, as well as upon renewal of the respective agreement.

Withholding funds to the PSPs should be a measure of last resort. The Ministry is to insist as much



MFCS set up a yearly procedure to confirm the compliance of standing partner VOs.

A similar procedure has been adopted before signing a new PSP agreement and upon renewal of the respective agreement.

When the need arises, the Ministry is withholding funds issued to VOs which are not fully compliant.

Implemented

Implemented

Ongoing

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>as possible on the need for the PSPs to duly comply with their commitments.</p>	✓		<p>All relevant documentation is verified to ensure that all requirements included in the applicable checklist annexed to the agreement are satisfied.</p>	
<p>Payments not formally endorsed by the Ministry for Finance and no binding Provisions</p> <p>All payments are to be duly regulated and terms clearly stipulated, including the duration of assistance, the amounts due by Government and service provision by the two residences. Supporting documentation is to be submitted prior to each disbursement.</p>	✓		<p>The residential homes audited form part of a tripartite foundation, with the Government being one of the parties. The statute of the foundation was amended to acknowledge the financing by MFCS of staff and related operational expenses.</p> <p>MFCS has finalised a memorandum of understanding (MOU) to define the role of each partner in the provision of the service.</p> <p>The funds related to the foundation are channelled through a new line item (5285) that has been included in the 2020 estimates.</p> <p>MFCS is ensuring that MFIN approval is obtained prior to signing every PSP agreement or its renewal.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Documentation provided following NAO's request</p> <p>The Ministry is to ensure that all documentation required as per checklist is obtained, filed and duly verified prior to the issuing of payments.</p>	✓		<p>The MFCS reviewed and updated the checklist timelines.</p> <p>MFCS is ensuring that all necessary documentation is obtained, filed and verified before making disbursements.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Need of enhanced monitoring by the Foundation for Social Welfare Services</p> <p>The FSWS is expected to perform the necessary monitoring on the services provided by the VOs and on their respective service users, confirming the standard of the service being provided as well as the accuracy of the amounts claimed and subsequent payment.</p>	✓		<p>Monitoring of service standards is being carried out and falls within the remit of the Social Care Standards Authority (SCSA) in terms of CAP 582 of the Laws of Malta.</p> <p>FSWS is ensuring that its professionals monitor the 'care plans' of service users placed with the NGOs.</p> <p>The service delivery is monitored by employees from Agenzija Appogg or Agenzija Support, depending on the nature of the services being delivered.</p> <p>MFCS is holding discussions with the FSWS to resolve issues related to the complexity of such exercises.</p> <p>FSWS is ensuring that all the necessary checks are carried out prior to each payment.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Incomplete verification of Documentation submitted</p> <p>A competent officer is to analyse the management accounts, audited financial statements and bank statements.</p> <p>Whilst acknowledging the difficulties encountered by the VO's to submit the required accounts and information, these need to be invariably submitted to the MFCS</p>	✓		<p>MFCS has issued a call for the recruitment of a competent officer to analyse the management accounts, audited financial statements, and bank statements.</p> <p>The Ministry is ensuring that all the required documentation is obtained.</p> <p>MFCS is to ensure that all necessary documentation is verified and endorsed. Checks will be enhanced once the</p>	<p>Implemented</p> <p>Implemented</p> <p>December 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, in view that the VOs are highly dependent on public funds and that the majority of their expenditure is salaries, the MFCS is to monitor that the staff-client ratio is adequate.</p> <p>Detailed record keeping of all aforementioned assessments is to be filed for future reference and audit trail purposes.</p>			<p>competent officer is recruited.</p> <p>MFCS is ensuring that the necessary checks are carried out by the responsible authorities related to the staff-client ratio and that any checks carried out are duly documented.</p>	<p>Implemented</p> <p>December 2020</p>
<p>The applicable check list is also to be endorsed by responsible MFCS officials before the respective payment is processed.</p>			<p>MFCS is to draw up an SOP detailing clearly the entire procedure that must be followed by all parties involved. All necessary verifications are to be carried out, duly documented and filed for future reference and audit trails.</p> <p>The management is ensuring that the SOP is adhered to.</p> <p>The applicable checklists are being endorsed by responsible MFCS officials.</p> <p>The management is ensuring that the SOP is adhered to.</p>	<p>Implemented</p>
<p>Lack of Physical Inspections</p> <p>Enhanced communication between the SCSA and the MFCS is crucial to monitor the standards of care provided by these VOs, as well as ensuring that these are licensed, according to the Social Care Standards Authority Act.</p> <p>Inspection reports are to be filed in the respective PSP file and held for future reference.</p>	<p>✓</p>		<p>An MoU between MFCS and SCSA will be drawn up so as to clearly lay down the tasks to be carried out by both parties, including reporting obligations and communication channels to ensure that regulatory requirements are being complied with.</p> <p>Inspection reports received from SCSA are being filed in the respective PSP files.</p>	<p>September 2020</p> <p>Implemented</p>



MFCS
AGE PENSION - EXPENDITURE

MFCS

Age Pension - Expenditure

The Department of Social Security (DSS) within the Ministry for the Family, Children's Rights and Social Solidarity is responsible for the administration of the provisions of the Social Security Act 1987 (Cap. 318), hereinafter referred to as the Act. This audit focused on the Age Pension (AP), which falls under non-contributory benefits. The AP is awarded to persons upon reaching 60 years of age, and is paid at the applicable weekly rates in line with the Act, upon satisfying the established capital resource and means test.

The purpose of this audit was to determine whether adequate internal control procedures were embedded in the AP administration system, from the assessment of eligibility up to the respective payment process. Furthermore, the NAO assessed whether these benefits were made in an accurate and timely manner, in accordance with the provisions laid out in the Act. In this regard, the NAO noted shortcomings concerning control issues especially those relating to absence of deterrents to prevent abuse, refunds of overpayments which were not requested, unnecessary creation of overpayments, insufficient management information, and contributions due to state-financed residential services.

Follow-up Action

Various actions were undertaken by MFCS with a view to address weaknesses and implement recommendations highlighted by the NAO. Most of these actions have either already been implemented or will be completed within the next few months. In order to prevent abuse, the Ministry has reinforced payment reviews by carrying out concurrent assessment of tax profiles. To enhance the process for the recovery of overpayments, an SOP has been drawn up and circulated to all concerned. With respect to letters sent to deceased beneficiaries, another procedure was put in place to send overpayment letters to the respective heirs. In order to address the issue concerning ageing balances of overpayments, the Ministry will now be issuing informative letters to the beneficiaries informing them regarding the balance due. This letter will be issued on a yearly basis. Action has also been taken not to create unnecessary overpayments. In this regard, MFCS is ensuring that there is adequate supervision and authorisation in order to minimise similar occurrences and to ensure correct and effective decision-making.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Absence of Deterrents to prevent abuse</p> <p>The Department is encouraged to take the necessary action leading to the enforcement of suitable penalties to mitigate and deter abuse.</p>	<p>✓</p>		<p>DSS has introduced enhanced controls at the application stage to mitigate risks of overpayments.</p> <p>The Ministry is carrying out payment reviews in a structured manner. The Department has reinforced these reviews by concurrent assessment of tax profiles to ensure the accuracy of payments made.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Refund of Overpayments not requested</p> <p>The DSS is once again encouraged to adopt a more proactive approach towards the recovery of overpayments. Thus, a request is to be made to overpaid claimants to settle the respective amounts. Although this approach may not always be successful, it will make claimants aware that overpaid amounts are indeed expected to be repaid within a reasonable timeframe.</p>	<p>✓</p>		<p>The Overpayments Section will now be directly overseen by the Income Support and Compliance Division and business procedures are being reviewed in order to better the process.</p> <p>The SOP has been updated to reflect the changes made to the business process.</p> <p>The Ministry will also issue an informative letter to the beneficiaries informing them about the balance due. This will be issued on a yearly basis.</p> <p>A standard agreement template is being created, which will be recorded in the IT structure.</p> <p>The myservices application on the Department's website has been upgraded to cater for the online payments of overpayments.</p>	<p>October 2020</p> <p>Implemented</p> <p>September 2020</p> <p>June 2021</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>The anomaly with respect to notification letters sent to deceased beneficiaries is also to be rectified, by addressing these letters directly to the heirs of the individual.</p>	✓		<p>A procedure is in place to send overpayment letters to the heirs of deceased beneficiaries.</p>	Ongoing
<p>Case Reassessment Delays</p> <p>The NAO recommends more frequent and effective case reviews. This would enable inconsistencies to be captured at an early stage, thus minimising the risk of overpayments and the respective administrative burden to recoup the amounts in question.</p>	✓		<p>All AP files which had no movement since after 2017 have been reviewed.</p> <p>MFCs has provided an update with respect to the assessment of the standard operating procedure, which has been communicated to all staff concerned and is being adhered to.</p> <p>MFCs will carry out an exercise to ensure that all remaining AP files which were not reviewed will be traced and reviewed accordingly.</p> <p>Following this exercise, MFCs will start a new procedure so that every case will be reviewed every two years.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2021</p>
<p>Insufficient Information on the Receipt of Foreign Pensions</p> <p>The Department is to consider establishing agreements with other countries to facilitate the exchange of information and thus minimising overpayments.</p>	✓		<p>The International Relations Unit (IRU) within DSS has in place data exchange agreements. The IRU is discussing with other foreign jurisdictions to facilitate the exchange of information.</p>	Ongoing

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Unrealistic Land and Property Valuation</p> <p>The Department is encouraged to revise outdated land and property valuations declared by the beneficiaries to fair value following a comprehensive reassessment exercise. Furthermore, the policy used by the Department in valuing agricultural land is expected to reflect more realistic rates.</p>	<p>✓</p>		<p>A policy has been drawn up to reflect current currency and change in procedures, both projected and otherwise.</p> <p>DSS is conducting reviews on an ongoing basis using the tax profiles of beneficiaries to ensure correct and updated valuations.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Ageing Balances of Overpayments</p> <p>Whilst every effort is to be made to prevent overpayments, the DSS is to ensure that ongoing monitoring of the amounts due is carried out in order to maximise recovery. Particular attention is to be given to amounts which have been long outstanding, as well as dormant debts.</p>	<p>✓</p>		<p>The Overpayments Section will be directly overseen by the Income Support and Compliance Division and business procedures are being reviewed in order to improve the process.</p> <p>The Ministry will also issue an informative letter to the beneficiaries informing them about the balance due. This will be issued on a yearly basis.</p> <p>MFCs is ensuring that the necessary controls are in place so that no such overpayments result and accumulate.</p>	<p>October 2020</p> <p>September 2020</p>
<p>Insufficient Management Information</p> <p>The DSS is to enhance the pre-established list to make it more comprehensive and limiting, as much as possible, resorting to the free text. This function would provide better management information for the analysis of overpayments, to identify suitable action and control recurrence.</p>	<p>✓</p>		<p>DSS has reviewed the pre-established list and carried out the necessary enhancements with a view to facilitate explanations within the system for the creation of overpayments</p>	<p>October 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Unnecessary Creation of Overpayments</p> <p>In such circumstances, one would expect that the beneficiary is given the difference between the two amounts in order to prevent overpayments, thus avoiding the related risks and unnecessary complications.</p>	✓		<p>MFCS is ensuring that there is adequate supervision and authorisation hierarchy in order to minimise similar occurrences and ensure correct and effective decision-making.</p>	Implemented
<p>Contributions due to State-financed Residential Services</p> <p>Considering the fact that most of these claimants are elderly citizens, the time taken to identify an adjustment bears a crucial effect on the amount of the overpayment and thus on its recovery. Although the NAO acknowledges that an improvement was registered in this area over the last years, further discussions with the Director (Elderly and Community Care) may help to continue reducing overpaid amounts.</p>	✓		<p>Discussions have been held to accelerate the flow of information between the DG(SS), DG(ISC), and CEO (Elderly and Community Care).</p> <p>An SOP between all stakeholders has been drawn up so as to clearly lay down the tasks to be carried out by the concerned parties, including agreed reporting obligations and communication channels to ensure that overpayment amounts are reduced.</p>	<p style="text-align: center;">Implemented</p> <p style="text-align: center;">Implemented</p>



**FOLLOW-UPS ON NAO PERFORMANCE AUDITS,
INVESTIGATIONS, IT AUDIT & JOINT AUDIT
CARRIED OUT IN 2019**

An investigation of visas issued by the Maltese Consulate in Algiers - January 2019 - MFEA

The Consul enhanced several measures to improve its efforts to balance national security, commercial considerations, and bilateral relations when considering the granting or otherwise of visas.

In 2020, the Visa Unit at MFEA standardised a spreadsheet for all missions which do not use Euro as the official currency to adjust exchange and rounding of visa fees in foreign currency used by the Embassy/Consulate. Every month, the price in local currency is adjusted according to exchange rate, and this is sent to the Accounts Section at MFEA and VFS as the external service provider.

Both the information on notice boards and website are posted in English and French. In fact, a web page has been published in French within the Mission Website at the Ministry portal. In addition, the Consulate has a Facebook page which provides visa-services related information in both English and French.

On 19th May 2020, the consulate received the most recent version of the operations manual. Checks are being made during visits on coherence and compliance with the requirements of EU missions. Further information was added on the use of the Declaration of Proof and the amounts of fees which had to be paid in relation to tuition fees for students as outlined by CVU.

The VFS informed applicants that all alpha numeric and biometric data is deleted 7 days after the submission of application. Contact details are deleted 5 days after the return of passports. This is in line with the Schengen code.

Interviews with applicants are carried out on a weekly basis. It should be noted that the Maltese Consulate is one of the most extensive users of interviews amongst EU member states.

As of February 2020, all communication in relation to consular cooperation, specific applications, and follow-ups is being done via the VMS in compliance with the visa code.

The time from validation of application to importation in the VMS has been reduced to less than 24 hours, with the exception of applications taken on Thursday. Printing of visas is being done exclusively at the Consulate. These are generated at the VMS and printed exclusively by the Consul's visa printer.

Discussions about arrangements for new equipment to be installed at the Consulate are ongoing with IMU. Moreover, in October 2019, the Consulate has solved the issue related with the internet and now the connection is fast and reliable.

The VISA system now does not allow multiple persons to follow the same application at the same time. Once one authorised personnel (Consul and LEPs) is working on an application, any other personnel is blocked from entering in the same application. General information on the overall file is written by the LEP, then the consul inserts their final comments and recommendation.

Joint Audit: An Evaluation of the Community Work Scheme – June 2019 - MEDE

On the 4th January 2016, the Malta Investment Management Company Limited, on behalf of Jobsplus and the General Workers Union (GWU), signed a concession agreement that covered the operation and management of the Community Work Scheme (CWS). This is in force until January 2021.

NAO recommendations were taken on board and similar future agreements will better define deliverables with pre-determined goals and include penalties and incentives. Such agreements will comprise best practice contractual clauses such as 'conflict of interest' to safeguard the interests of all parties.

In addition, future agreements will also include a detailed training programme, to be provided by the Concessionaire to CWS participants, and which will be discussed with and approved by the contracting authority. Such training will take into consideration the skills, abilities, and competencies as well as individuals' exigencies.

The payment of performance bonuses to CWS participants will be duly regulated by means of a side letter to the main concession agreement.

The management will introduce SOPs for worklogs based on the good practices introduced by some Social Purpose Entities (SPEs) in Gozo, as acknowledged by the NAO—this will enhance the monitoring function and encourage good governance, transparency, and efficiency.

Monitoring by the management of the CWSE Foundation is already in place. The financials are being reviewed on a monthly basis while operations on an ongoing basis. In the event of any future agreements, increased obligations of monitoring by the CWSE Foundation will be included as well to strengthen the internal control mechanism.

Information Technology Audit: The Effective Use of Tablets in State, Church, and Independent Primary Schools -

October - 2019 MEDE

The One Tablet Per Child project was partly financed by the EU European Social Fund (ESF.03.059) with a co-financing rate of 80% EU funds and 20% of national funds, under the Operational Programme II – European Structural and Investment Funds 2014-2020. The project has 15,750 assets distributed amongst 96 schools. In this context, two inventory databases are being maintained:

- a) the school-based inventory; and
- b) the Class Connect system.

The NAO acknowledged that the vast majority of support calls were resolved. An analysis of the pending calls carried out by MEDE indicates that the main causes of the calls were not related to the functionality of tablet itself. MEDE discussed MITA's report with the concerned contractors and even though the majority of the calls log did not impact on the learning of the students, MEDE emphasised the importance of resolving issues as soon as possible. This led to a positive outcome as, as at May 2020, out of 15,000 tablets, 185 calls are being dealt with by the concerned contractor, 6 calls are on hold, and 3 are work in progress.

In all cases, all students were never left without the use of a tablet device and replacements were given as per procedure adopted for this project and as outlined in the contract document. In collaboration with DDLTS, the use of tablet device in schools has been promoted via social media that is followed by a numerous number of parents and educators.

Training is ongoing to meet the needs of educators across the board, including non-state and peripatetic teachers.

MEDE promotes awareness among students, educators, and parents through various communication channels including regular circulars to all schools and continuous updates and information on MEDE social-media platforms.

According to the NAO survey, over 70% of both teachers and parents consider that tablets assisted the students in their learning journeys. Due to the COVID-19 situation, the use of tablet devices has doubled, outlining the importance of this digital tool in the educational sector. Tablet use for regular communication and sharing of learning material has drastically increased during this period. Microsoft Teams is also available on the tablets to serve as a personalised hub of online resources.

The majority of apps available on the tablet can be used across all subjects. Students have the opportunity to create digital content, using apps such as WorkSpace, Author Premium, PicSay, SimpleMind, Animator, StoryVisualizer, and Comic Strip It.

MEDE launched a new curriculum website, <https://teleskola.mt>. This website provides easy access to hundreds of lessons/topics closely linked to the school syllabi in all subjects. The digital resources include handouts, presentations, notes, video clips, games, and other support material.

MEDE invested €5.2 million to enhance the school infrastructure with respect to Wi-Fi coverage. New WAN connectivity within all state schools has been fully implemented and decommissioned. Wi-Fi coverage in primary school has also been enhanced to cover all Year 4 to Year 6 classes. This project is now being extended to cover the middle schools' classrooms.

DDLTS visits schools once a week to support all educators from Kinder 1 to Year 6 in all aspects of digital literacy. They support also non-state schools for professional development on request. DDLTS are also offering continuous and professional support to all schools, particularly during the COVID 19 school closure situation. Their work has been universally praised by all.

**Performance Audit:
An analysis of issues concerning the Cooperative Movement in Malta -
November 2019 - MEIB**

The Government's role in promoting the development of cooperatives is specified in the Constitution of Malta.

The Central Cooperatives Fund Committee (CCFC) is entrusted to evaluate claims, primarily submitted by cooperative associations, and to disburse funding to such claims from this fund for the sole use of cooperative development and in accordance to considerations set by law.

The financial statements of the Fund shall be prepared and submitted in line with Legal Notice 442.03. The CCFC shall appoint a person in possession of a warrant to practice as a certified auditor. The auditor so appointed shall at all reasonable times have full and free access to all accounting and other records relating to the financial transactions of the Fund.

The Government is monitoring the developments of the cooperatives to ensure that these are functioning adequately and work effectively together. As acknowledged by NAO, all efforts are being made to mitigate governance risks. The Administration is evaluating all options and will ensure that the forthcoming changes in legislation, will be more effective to better safeguard its interests.

An investigation of contracts awarded by the Ministry for Home Affairs and National Security to Infinite Fusion Technologies Ltd -

December 2019 - MHSE

MHSE directly awarded two contracts to Infinite Fusion Technologies Ltd (IFT Ltd) for the upgrading of the network at the Corradino Correctional Facility (CCF) and other related sites through a negotiated procedure in December 2015 and 2016. To this effect, an analysis of needs was carried out based on the following factors:

- Internal meetings with stakeholders;
- Plotting of network points on site plans;
- Defining routing services;
- Definition of hardware requirements; and
- Available site plans and which site plans were incomplete (missing floors or change in building structures).

MHSE confirms that a confidential report analysing the needs was prepared by an expert. This report was not distributed to all individuals involved in the project in view of the sensitive information included therein. The key persons liaising with the NAO were not aware of this report.

MHSE did not opt to keep the existing set-up because it was considered an obsolete platform which was not meeting the ever-increasing demands of CSA. Furthermore, the current platform was causing:

- a barrier to network operations;
- limitations to expand; and
- haphazard one-off installations by members of staff which were not tested nor certified.

A direct order request was tabled for security reasons. Initially, GO plc was contacted to implement this project since they already had various services within this facility and, thus, to limit entry to third parties within this site, it was decided to seek their services. The selection of IFT Ltd. was based on the fact that GO plc was not in a position to provide the required services at that point in time, while IFT Ltd., together with its personnel, were already engaged and working at CCF as a sub-contractor of GO plc. It should be noted that IFT Ltd. was already in possession of security clearance to access the facility given that it was a sub-contractor already working in the said premises. In addition, it already had knowledge of existing network settings (TV, telephony, and partial network).

MHSE ensured that the BOQ issued reflected the plotted (network points and routing services) site plans and hence were considered to be fair and reasonable. Sourcing other quotes meant that CCF would have had to disclose site plans to various organisations, thus jeopardising the security aspect. Additionally, expanding entry of personnel from other organisations meant that MHSE would be further exposing possible threats to a secure environment.

Projects of this magnitude always have change requests or new requirements during the implementation process. Article 20, Clause 20.6 of the Public Procurement Regulations refers to 50% of the contract value if it is not identified otherwise within the Special Conditions Clause. Site surveys were only conducted once the contract had been endorsed. Linking all other Correctional Services Agency (CSA) sites to this project had to be done at a later stage, as MHSE had to phase this project and see the outcome of the initial project implementation. This is in addition to the fact that such requirements emanated from the new CCF management. Changes in the scope of the initial project requirements were in line with additional requirements tabled by the new CCF management.

The delays outlined in the NAO report were a consequence of events beyond the control of the contractor. It is important to note that payments effected only reflected works carried out by IFT Ltd. as at December 2016. These works included additional works and equipment that were going to be included within the second contract. Payments for labour reflected the service provided. Additional works were being requested according to new requirements established by the CCF management and in view of YOURS extension. This meant that works could not be concluded within the six-month timeframe originally agreed upon. As regards to certification of completed works, a full reconciliation process has now been conducted, as the project is completed. The results of this reconciliation established that MHSE still owes money to IFT Ltd. for work carried out.

With respect to the NAO's reservation regarding payments effected without the appropriate certification of supplies received, it is to be noted that invoices were paid in December in view of the fact that MHSE chased the contractor to provide invoices for supplies that were already provided throughout the project so that these could be settled by the end of the year. It is important to underline that effected payments were in line with the BOQ submitted to DC for approval and after items were already delivered. The contract was signed during the same month, i.e. December. As regards to the advance payment of €68,000 in labour referred to by the NAO, this Ministry has already explained that payments of labour costs were in line with services provisioned by the contractor.

With respect to the quality of works, the MHSE would like to outline that the network setup is fully operational, and all the services are fully dependent on the passive and active infrastructure, as installed by IFT Ltd. Variances in copper cable requirements could only be ascertained at the final stages of the project whereby testing provided an indicative figure of lengths used during the implementation process. It is important to underline that MHSE entered into a contract with MITA to carry out testing for assurance purposes. All amounts are supported and evidenced in the final reconciliation report carried out by MHSE.

In conclusion, the Ministry reiterates that the government's interests have been safeguarded.



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