

GOVERNANCE

Action on the NAO's Annual Report 2015
Public Accounts



Office of the Principal Permanent Secretary

Governance

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Public Accounts

21st April 2017

Published by the
Office of the Principal Permanent Secretary
Auberge de Castille
Valletta VLT 1061

Tel.: (+356) 2200 0000
Website: <http://www.opm.gov.mt>

Cataloguing-in-Publication Data Malta.
Office of the Principal Permanent Secretary
Governance Action on the NAO's Annual Report 2015
Valletta: Office of the Principal Permanent Secretary, 2016

29.7, 21 cm
ISBN: 978-99957-1-080-4

This publication can be purchased from the
Department of Information
3, Castille Place,
Valletta

Tel.: (+356) 2200 1700
Price: €5.00

For the second year running this Office is making a public statement and commitment towards the ongoing strengthening of transparency and accountability as core values of the Public Administration. We are targeting the culture and the mentality that anything goes within the Public Administration by clarifying intangible yet crucial concepts such as quality, and striving to ensure that quality underpins all our systems and operations, focusing not solely on sound financial management but also on service delivery, people & standards and performance management.

In 2014, I had stated that the Public Administration was challenged by a leadership crisis, with a lack of timely decisions or decisions which were not being pursued. At that time this was somewhat derided however today it is being acknowledged even by higher independent institutions such as the NAO. It is within this context that we are actively combating to renew the Public Administration and transforming it into a performing organisation with robust core values of good governance. In this endeavour we view the NAO as an important ally and with two seasoned public officers at its helm it is well positioned to support us.

This is our second Governance Report – a reply to the Annual Audit Report, Public Accounts 2015, with an account of what has been implemented so far to address the recommendations of the NAO and what will be implemented by when for those recommendations that are still pending. This time round the task was no less challenging than the first time, more so because we also undertook to monitor and follow up on the implementation of the recommendations committed to be completed in the first Governance Report issued on 29th April 2016 in reply to the NAO Annual Audit Report – Public Accounts 2014.

In November 2016, the Internal Audit and Investigations Department (IAID) was once again tasked to carry out a verification exercise on the implementation or otherwise of the actions committed to be implemented by the respective Permanent Secretaries as per Governance Report issued on 29th April 2016 and on the corrective actions presented by the respective Permanent Secretaries further to the recommendations included in the NAO Annual Audit Report – Public Accounts 2014

issued in 2016. IAID was also tasked to give an opinion on whether the corrective actions presented by the Permanent Secretaries and reviewed by IAID represent a true and fair view of the actions actually implemented and that these address the actions included in the Governance Report and the recommendations suggested by NAO in the Annual Audit Report for 2015. IAID conducted the review between Friday, 6th January 2017 and Wednesday, 5th April 2017.

Subsequently, a series of exit meetings were held between the Office of the Principal Permanent Secretary, IAID, and the senior management of each audited entity together with the Permanent Secretary of the respective Ministry, to discuss the outcome of the IAID review, to admonish where required, and to further guide and support entities in the implementation of agreed actions to address the issues and risks identified by the National Audit Office.

The consolidated outcome of the actions taken by the various Ministries and the follow up and review process, as outlined above, is that the total of recommendations from the National Audit Office 2014 Report which were addressed and implemented to date stands at 78.5%. This figure does not take into account actions that have not been completed by end of 2016, or that have been partially implemented, even though nearly completed.

We will definitely not stop here.

We are committed to continue working to ensure that Ministries implement the recommendations of the NAO, with the confidence that we are on the right track, as confirmed by the recent NAO declaration that it is now tracing our footsteps by following up on its own recommendations.

Mario Cutajar
Principal Permanent Secretary

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List of Abbreviations

AACCD	Active Ageing and Community Care Directorate
AAR	Annual Audit Report
AFM	Armed Forces of Malta
AG	Attorney General
AIN	Asset Identification Number
ARR	Arrears of Revenue Return
AVS	Attendance Verification System
BO	Budget Office
BTL	Below-the-Line
CBM	Central Bank of Malta
CCC	Child Care Centres
CCF	Corradino Correctional Facility
CCTV	Closed Circuit Television
CD	Commerce Department
CEO	Chief Executive Officer
CFMS	Corporate Financial Management System
CIO	Chief Intervention Officer
CIS	Childcare Information System
CoJ	Courts of Justice
CoP	Commissioner of Police
CPAS	Clinical Patient Administration Systems
CPSU	Central Procurement and Supplies Unit
CPITA	Court and Police, Interpreter and Translator Association
DAS	Departmental Accounting System
DoC	Department of Contracts
DG	Director General
DG ECFIN	Directorate General for Economic and Financial Affairs
DIER	Department of Industrial and Employment Relations
DMD	Debt Management Directorate
DO	Direct Order
DQSE	Directorate Quality and Standards in Education
DSS	Department of Social Security
DSWS	Department for Social Welfare Standards

EAMS	Euro Area Member States
EBU	Extra Budgetary Units
ECB	European Central Bank
ECCD	Elderly and Community Care Department
EDA	Extra Duty Allowance
EFSF	European Financial Stability Facility
EGRD	Eco-Gozo and Regional Development Directorate
EoM	End-of-Month
EPPS	Electronic Public Procurement System
ESA	European System of Accounts
ESDM	European Sovereign Debt Market
ESM	European Stability Mechanism
EU	European Union
FCS	Free Childcare Scheme
FES	Foundation for Educational Services
FMS	Fleet Management System
FR	Financial Report
FRA	Fiscal Responsibility Act
FRN	Floating-Rate Notes
GCC	General Contracts Committee
GDP	Gross Domestic Product
GP	General Practitioner
GPD	Government Property Division
GPDMA	Government Borrowing and Public Debt Management Act
HO	Head Office
HR	Human Resources
ICT	Information Communication Technology
IEG	International Energy Group Malta Ltd
IMF	International Monetary Fund
IMU	Information Management Unit
IP	Invalidity Pensions
IPSAS	International Public Sector Accounting Standards
IRD	Inland Revenue Department
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
ITS	Institute of Tourism Studies

Kg	Kilograms
KGRH	Karin Grech Rehabilitation Hospital
LA	Letter of Acceptance
LMS	Licensing Management System
LPO	Local Purchase Order
MCA	Malta Communications Authority
MCH	Mount Carmel Hospital
MDH	Mater Dei Hospital
ME	Malta Enterprise
MEDE	Ministry for Education and Employment
MEH	Ministry for Energy and Health
MEIB	Ministry for the Economy, Investment and Small Business
MEPA	Malta Environment and Planning Authority
MFAC	Malta Fiscal Advisory Council
MFEI	Ministry for Finance, the Economy and Investment
MFIN	Ministry for Finance
MFSS	Ministry for the Family and Social Solidarity
MGA	Malta Gaming Authority
MGI	Malta Government Investments Ltd
MGOZ	Ministry for Gozo
MGS	Malta Government Stocks
MHAS	Ministry for Home Affairs and National Security
MITA	Malta Information Technology Agency
MJCL	Ministry for Justice, Culture and Local Government
MPA	Malta Police Association
MPF	Malta Police Force
MPGF	Malta Police General Fund
MPU	Ministerial Procurement Unit
MSDC	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties
MSDEC	Ministry for Sustainable Development, the Environment and Climate Change
MSE	Malta Stock Exchange
MTA	Malta Tourism Authority
MTI	Ministry for Transport and Infrastructure
NAO	National Audit Office
NLA	National Literacy Agency
NMIP	National Minimum Invalidity Pension
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
ORC	Other Ranks' Canteen

PAC	Public Accounts Committee
PBS	Public Broadcasting Services
PDMAC	Public Debt Management Advisory Committee
PH	Public Holiday
P&SD	People and Standards Division
PHC	Primary Health Care
PMMS	<i>Pitkali</i> Markets Management System
PPR	Public Procurement Regulations
PQVB	Programme Quality Validation Board
PS	Permanent Secretary
PSC	Public Service Commission
PSMC	Public Service Management Code
PV	Payment Voucher
RAA	Risk Analysis Application
SA	Social Assistant
SABS	Social Assistance and Benefits System
SAMOC	Sir Anthony Mamo Oncology Centre
SEPA	Single Euro Payments Area
SL	Sick Leave
SMPPMA	Special Market Policy Programme for Maltese Agriculture
SOP	Standard Operating Procedure
SPBH	Sir Paul Boffa Hospital
SSA	Social Security Act, 1987 (Cap.318)
SVPR	St. Vincent de Paule Residence
TLA	Trading Licences Act, 2002 (Cap. 441)
TLR	Trading Licences Regulations, 2006 (S.L. 441.7)
TLU	Trade Licensing Unit
TM	Transport Malta
TOIL	Time Off <i>In Lieu</i>
TVLU	Television Licensing Unit
VAT	Value Added Tax
VERA	Vehicle Registration and Administrative System
VL	Vacation Leave
WAC	Weighted Average Coupon
WAM	Weighted Average Maturity
WSC	Water Services Corporation

Office of the Prime Minister

Public Service Commission – Expenditure
and Personal Emoluments

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES - EXPENDITURE</p> <p><i>Misallocation of Expenditure</i></p> <p>The PSC is recommended to allocate payments in the appropriate account, which is most related to the expense concerned, so that the actual expenditure reported will reflect a more realistic portrayal of costs. The PSC may consider opening a new account relating to condominium expenses, if need be.</p>	✓		A new account related to condominium expenses has been created in DAS.	Implemented
<p><i>Other Shortcomings</i></p> <p>Management is to ensure that no information is missing from the PVs and all the necessary details are clearly shown, thus ensuring a proper audit trail. All PVs and LPOs/LAs should always be clearly endorsed by means of a signature accompanied by a date, in order to indicate the responsible officer authorising the purchase and payment accordingly.</p>	✓		PVs and LPOs are being endorsed and accompanied by a date.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Logbook lacking necessary details regarding fuel intake</i></p> <p>Full details regarding fuel intake are to be clearly recorded on the logbook as required by PSMC Appendix 8.1, as a means to verify the vehicle's fuel consumption.</p>	<p>✓</p>		<p>Logbook has been updated and details regarding fuel intake are being recorded.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES - EXPENDITURE</p> <p><i>Shortcomings related to Inventory</i></p> <p>As stated in MF Circular No. 14/99, "Each item shall be physically marked with a consecutive identification number." This procedure is expected to be adhered to, and items are to be physically marked with a permanent identification number, as far as it is practicable.</p> <p>All assets are to be recorded accurately within the Inventory Database. These are to be adequately identifiable and traced to the respective location. Room Lists are also to be updated to reflect latest movements. Both the Inventory Database and Room Lists should contain the same information, and any discrepancies resolved.</p> <p>Periodic physical verification of inventory items is also recommended, to ensure that inventory records truly reflect the description and location of items.</p>	<p>✓</p>		<p>Assets are physically marked with a permanent identification number.</p> <p>Room lists are being updated to reflect the latest movements. A formal reconciliation between room lists and the inventory database will be performed every six months to ensure that both contain the same information.</p> <p>The inventory schedule and room lists have been updated and now tally with each other. A formal reconciliation between physical assets and inventory items will be performed every six months.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Non-submission of VAT Defaulters Quarterly Returns</i></p> <p>Returns with details of defaulters, including any 'Nil' Returns, are to be submitted to the VAT Department on a quarterly basis, as required by the respective circular.</p>	✓		<p>Nil returns are being submitted to the VAT department.</p>	<p>Implemented</p>
<p>CONTROL ISSUES - PERSONAL EMOLUMENTS</p> <p><i>Weaknesses related to the upkeep of the Daily Reports</i></p> <p>Adequate regular reconciliations between the daily reports and the related records, should be carried out to ensure correctness of details. This enables any variations to be tackled in a timely manner. Moreover, PSC is to ensure that all employees clock in and out every time they leave/return to the place of work, for whatever reason.</p> <p>When endorsing attendance records, Management is assuming responsibility that these are correct in every detail, and that all officers falling under its responsibility have been duly accounted for. Furthermore, since the daily reports are being used in order to reflect the actual attendance of the employees, these should be certified to ensure completeness and accuracy of the reported timings. Certification should bear a date in order to ascertain that this has been carried out in a timely manner.</p>	✓		<p>Daily reports and related records are being reconciled.</p> <p>Daily reports are being dated and certified by Management.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in the Vacation Leave Record Forms</i></p> <p>It is recommended that for control purposes, all VL approvals should carry the date of such approval. Moreover, Management is encouraged to maintain accurate VL records by carrying out regular checks, in order to avoid as many discrepancies as possible.</p>	✓		Vacation leave approvals carry the date of such approval.	Implemented
<p><i>Sick Leave Record Form not updated</i></p> <p>Since SL record form is updated manually, more care is to be placed when recording such information.</p>	✓		Management issued formal instructions to officer in charge of recording sick leave.	Implemented

Ministry for Education and Employment

Free Childcare Scheme

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p>Furthermore, it was not possible to carry out audit testing across all entities to identify duplication of the children's name under different centres during the same periods. This was due to the voluminous data in the form of individual password protected spreadsheets used for the recording of 2015 attendance by childcare centres, as well as time constraints. As a result, instances highlighted under Key Issues Observation 'Full Reliance on Information provided by Service Providers - Transfers' were only identified incidentally, and the risk that these were not isolated cases cannot be ignored.</p>				
<p>KEY ISSUES</p> <p><i>Inadequate Internal Controls</i></p> <p>In order to be effective and promote operational efficiency, controls are to be embedded in the operations and form part of the overall culture. It is thus recommended that a proper assessment is undertaken, wherein the current processes and procedures in place are reviewed in detail in order to identify potential risks and take the appropriate measures in a timely manner. Controls should also be capable of responding quickly to evolving risks, and include procedures for reporting immediately to appropriate levels, identified weaknesses and significant control failings. Moreover, to remain valid over time, such measures have to be reviewed on a regular basis.</p> <p>However, sound internal controls cannot eliminate the possibility of processes being deliberately circumvented. Thus, staff and operations should be supervised by competent officers who are fully conversant with the standing processes, and who are ready to query such procedures and decisions, if and when necessary, taking appropriate measures to address any shortcomings in a timely manner.</p>	✓		<p>A formal assessment is being carried out to identify potential risks, and implement any necessary measures accordingly.</p> <p>A cross-matching exercise amongst all parents with active applications vis-à-vis their employment status according to Jobsplus records was conducted.</p> <p>An SOP has been prepared and disseminated to the Jobsplus FCS officers.</p> <p>An agreement between FCS and MEDE DQSE obo Accreditation Unit has been entered into, on 27th March 2017.</p>	<p>June 2017</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Budget versus Actual Expenditure</i></p> <p>As far as possible, detailed planning is to be undertaken when preparing budgetary estimates, in order to avoid having to resort to supplementary estimates, and keep such additional amounts to the barest minimum, thus limiting disruptions to other projects.</p> <p>It is recommended that a continuous and thorough review of the processes in place is undertaken, in order to identify potential areas of abuse.</p>	<p style="text-align: center;">x</p>	<p>There is no capping of the number of children who can avail themselves of the service.</p> <p>It should be noted that in April 2014 the scheme started off with 69 centres. 2015 ended with 91 centres registered with the scheme, while 2016 ended with 98 centres.</p> <p>It is pertinent to note that the reported 'over' expenditure is due to MFIN allocating less funds than requested. Expenditure estimates forwarded by MEDE are more realistic than what was committed by MFIN.</p> <p>However, improvements were noted in this regard.</p>		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Lack of Human Resources</i></p> <p>Given the significant funds involved, it is recommended that adequate human resources are allocated to manage the Scheme in order to strengthen the internal control structure.</p>	<p>✓</p>		<p>Two Senior Clerks are working on the administration of this scheme.</p> <p>Two other employees have been assigned site visits and monitoring duties.</p> <p>Moreover, a checklist which will be used during the inspection has been drafted.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Full Reliance on Information provided by Service Providers</i></p> <p>In order to ensure effective use of public funds, regular checks and inspections are imperative to ensure that controls are functioning as intended, the system is not being abused of, and records provided by the centres are reliable. The outcome of such checks is to be documented. A sample of parents may also be selected randomly on a regular basis to confirm the child's attendance for the respective month.</p> <p>Moreover, MEDE needs to regain control of the system without being too bureaucratic. Thus, one may consider requesting parents to submit both the application, as well as changes to booked hours, directly to the Ministry. Following the latter's approval, communication can then be made with the respective centre.</p> <p>A standard Change Request form could also be drawn up, which may be either downloaded, available on the e-id portal, or collected in hard copy from the childcare centres and/or MEDE. While acknowledging that this may, up to a certain extent, increase the administrative work for the Ministry, it reduces significantly the possibilities of abuse, at the same time providing a reliable system at a lower cost.</p>	<p>✓</p> <p>✗</p> <p>✓</p>	<p>As regards the suggestion of selecting a sample of parents to confirm their child's attendance for a month, the Management is totally against it since the parents would perceive such procedure as not having an efficient fobbing system.</p> <p>Jobsplus does not agree that it should request parents to submit initial application, as well as required changes to booked hours directly to them. Applications are inputted by CCC in CIS. Documentation is then vetted by Jobsplus.</p> <p>Currently, Jobsplus is accepting a change in booked hours done by the CCCs without vetting. However, once Jobsplus accepts such a change in the number of booked hours, the parent is being alerted immediately through an sms and email.</p>	<p>The officers in question have been identified. A tentative schedule of inspections has been compiled for 2017.</p> <p>A standard Change Request form has been drafted.</p> <p>This feature will be implemented on the CIS.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Ineffective Control through the New Fobbing System</i></p> <p>In order to ensure that the intended controls through the introduction of the fobbing system are effectively in place, MEDE must ensure that there is adequate control over the fobs themselves. A reconciliation exercise is to be undertaken to ensure that all fobs already issued are accounted for, including confirmation of receipt from the parents' end. For this reason, it would be ideal that henceforth, fobs are provided directly by the Ministry to the parents.</p> <p>The Ministry may also consider the introduction of a Request for Fobs form, which could be filled in by the parents to order additional fobs, and which shall be submitted to MEDE and approved accordingly prior to the acquisition. Such form is to clearly indicate the number of fobs held by the parents, together with their unique number/s. Furthermore, it is recommended that audit trails are checked on a regular basis, enabling any irregularities to be identified at once so that corrective action could be taken in a timely manner.</p>	<p>✓</p> <p>✘</p>	<p>A Request for Fobs forms for parents to order additional fobs directly from MEDE was not introduced, as MEDE does not see the importance of such a document. The number of fobs held by the parents, together with their unique number/s are available on CIS, and are accessible by parents through eID. Moreover, JobsPlus has the facility of generating a report relating to fobs.</p>	<p>A reconciliation is being performed by Jobsplus when the CCCs ask for new fobs.</p> <p>Parents are acknowledging receipt of fobs.</p> <p>A report is now being generated for each CCC, indicating the number of fobs linked to each child, and whether they are in use, inactive, damaged or lost.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Abuse of the System and Tampering of Records by Childcare Centres</i></p> <p>The control element lies with the use of fobs. It is thus recommended that stricter controls are exercised over both their distribution and usage. This can only be achieved if the Ministry ascertains that the devices are actually held by the parents. On the other hand, the latter are to be made aware of the importance of such fobs and the related time-keeping. In addition, in order to monitor and ensure their effective use, regular inspections are to be held to confirm or otherwise the correctness of recorded information. For this reason, communication with DSWS is to be ongoing. Exchange of information obtained during such inspections is also recommended. In addition, the Ministry is encouraged to enhance the system, ensuring that any record marked as 'ignored', for reasons other than multiple scans within a specified timeframe, is accompanied by a valid justification, and ideally approved by MEDE after being verified accordingly.</p>	<p>✓</p>		<p>Jobsplus has prepared a tentative schedule for regular inspections to be carried out in 2017 as from April.</p> <p>An analytical review of the inspections report will be carried out and documented, and appropriate action will be taken.</p>	<p>Implemented</p> <p>June 2017</p>
<p><i>Divergence from the set Terms and Conditions and the Applicable Contract Provisions</i></p> <p>Cash injection payments are to be made as stipulated in the applicable terms and conditions, i.e. As a one-off payment intended to ease initial cash flow related problems.</p>	<p>✓</p>		<p>Terms and Conditions amended to reflect conditions in signed contract.</p>	<p>Implemented</p>
<p><i>Eligibility Provisions overlooked by the Ministry</i></p> <p>While positively noting that the Ministry is discussing the way forward on this matter, it is recommended that such checks be incorporated in the vetting process of the applications prior to their acceptance.</p>	<p>✓</p>		<p>Checks are being made with the Jobsplus database online.</p> <p>Moreover, eligibility checks are performed by Jobsplus before the application is actually accepted.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p>CONTROL ISSUES</p> <p><i>No Effective Checks by the Ministry on the Data submitted</i></p> <p>While acknowledging that the Ministry is already taking action on certain concerns which were brought to its attention during the audit, it is recommended that a comprehensive assessment is carried out to identify the possible risks associated with the Scheme. A plan should then be set up to include detailed checks which can be performed on a monthly basis on centres on rotational basis to address those risks.</p>	<p>✓</p>		<p>Assessments have already been initiated with an extensive exercise which was conducted amongst all active parents (which exceed 6400 parents).</p> <p>Regular detailed checks are being performed through site visits to CCCs.</p> <p>An SOP has been prepared and disseminated to the Jobsplus FCS officers.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Standing Policy for Payments</i></p> <p>It is recommended that if children fail to turn up for a whole month, MEDE contacts the parents in order to determine their future intentions. Necessary action can then be taken in a timely manner. In addition, as already suggested, as far as possible the Ministry is to get the information from the parents rather than centres.</p> <p>To this effect, another standard form may be circulated for transfers and terminations, for parents to fill in and submit to MEDE, either through email or post. The latter will then inform the centre of the change and process the respective payments accordingly.</p>	<p>✓</p> <p>✗</p>	<p>No additional form will be drafted. To date, whenever a parent wants to transfer a child, the FCS officer receives an email and double checks with the new CCC. The same is done for terminations. All is already done via written requests.</p>	<p>CIS will be enhanced so that zero attendance in a month at any centre is flagged.</p> <p>Following CIS enhancement, Jobsplus will establish and implement a policy for the efficient management of childcare capacity.</p>	<p>September 2017</p> <p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>No Enforcement of Capacity Restrictions</i></p> <p>Although DSWS carries out checks to ensure compliance with the national standards, these inspections are not limited to the childcare centres. Thus, in view of the limited resources at both entities, and in order to avoid duplication of work, it is recommended that information concerning the childcare inspections, including the planned visits, is shared between the two entities. This will enable better planning, aimed at covering a larger number of centres each year. Once the high-risk centres are identified, more frequent visits can be scheduled to such locations.</p> <p>Further to the above, it would be ideal if a joint framework of corrective measures is drawn up, backed up by the appropriate legislation. Financial penalties could initially be imposed by MEDE on those entities breaching the applicable conditions. Withdrawal of the DSWS certificate, and consequently suspension and eventually expulsion from the Scheme, is also to be considered in case of persistent defaulters.</p>	<p style="text-align: center;">✓</p>		<p>A plan has been prepared highlighting inspections to be covered in 2017 by Jobsplus.</p> <p>Two officers were identified to be assigned ad hoc duties as regards monitoring related to the Free Childcare Scheme.</p> <p>A schedule of visits has been prepared for 2017.</p> <p>An agreement has been entered into by FCS and MEDE DGSE obo Accreditation Unit, whereby amongst other things, they agreed to maintain regular communication.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or Date by when
<p><i>Lack of Awareness by Parents about the Scheme's Operational Aspect</i></p> <p>It is recommended that, on a regular basis, an obligatory information session is held for service-users.</p> <p>Parents are also to be informed that it is their responsibility to fob in and out for their child, and to check correctness of such timings recorded through any of the available mediums.</p>	<p style="text-align: center;">✓</p>		<p>A letter is sent to all new applicants informing them of their obligations and responsibilities with respect to fobs including being in possession of two free fobs.</p> <p>Information to service users will be communicated regularly through different channels, and particularly via mGov services.</p> <p>The corresponding leaflet will be updated.</p> <p>Moreover, awareness campaigns will also be introduced.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>June 2017</p>

Ministry for Education and Employment

Foundation for Educational Services

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Shortcomings in the Financial System</i></p> <p>Financial and human resources management are of critical importance within every entity. In this regard, Management is encouraged to implement and maintain adequate procedures to attain a robust internal control environment.</p>	<p>✓</p>		<p>A different organisational structure has been adopted. The Head Business Support is responsible for the Administration Section, while the Head Programmes is responsible for the management of the Programmes.</p> <p>FES employed an HR manager, a Manager Corporate Services and an ICT Officer.</p> <p>Moreover, copies of contracts are being included in the personal files.</p> <p>Furthermore, a reconciliation exercise referring to payroll data is being carried out.</p> <p>Operations Manuals for the services provided are being reviewed and updated as necessary.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Inadequate Attendance Records and Payroll Verification</i></p> <p>Given the substantial amount paid on salaries, NAO recommends the implementation of attendance verification devices, to facilitate the payroll and make it less prone to error whilst reducing the possibility of abuse. On the other hand, effective verification measures are to be incorporated within the payroll process where the introduction of such devices is not considered feasible by FES.</p>	<p style="text-align: center;">✓</p>		<p>Attendance sheets are being checked and certified correct by two officials at centre level. Arithmetical checking is also being carried out.</p> <p>A time keeping system was installed at the Mtarfa HO.</p>	<p>Implemented</p> <p>Implemented</p>
<p>CONTROL ISSUES</p> <p><i>Prior Approvals to perform Overtime not official</i></p> <p>In order to be processed for payment, overtime is to be approved prior to the commencement of the respective tasks in line with FES collective agreement. Supporting documentation is to be filed for ease of reference and audit purposes.</p>	<p style="text-align: center;">✓</p>		<p>Prior approvals are being obtained, and supporting documentation is being filed for audit purposes.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in Personal Files</i></p> <p>Personal files are to be kept updated with all the necessary documents, especially those relating to emoluments. Besides enabling ease of reference, as well as verification by third parties, this ensures a smoother transition in the event of a change in human resources personnel.</p> <p>The entitlement to qualification allowances is to be confirmed through a copy of supporting certificates prior to effecting the respective payments.</p>	<p>✓</p>		<p>Personal files are being kept updated with all the necessary documents.</p> <p>FES are in the process of ensuring that all personal files are indexed.</p> <p>Qualification allowances are being given as per applicable regulations. Supporting documentation is also being kept.</p>	<p>Implemented</p> <p>December 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Payroll Discrepancies and Anomalies</i></p> <p>Contracts of employment regulate the relationship between an organisation and the respective employee. Thus, these should always be in place prior to the commencement of employment to avoid undue misunderstanding.</p> <p>The financial package given to employees is not to exceed official approval. Management is also to ensure that, as far as possible, applicable regulations are followed to adopt good practice, fairness and transparency, thus leading to a positive and motivational climate in the workplace based on teamwork and collaboration.</p>	<p>✓</p>		<p>Copies of contracts are now in place and are being included in the personal files.</p> <p>The financial package given to employees is in line with the official approval except for one case. However, next call for applications will reflect any exceptions due to work exigencies.</p> <p>A payroll analysis was carried out by FES. It resulted that this individual had been underpaid. In order to rectify this, difference in payment has been settled.</p>	<p>Implemented</p> <p>Not applicable</p> <p>Implemented</p>
<p><i>Payroll Shortcomings within NWAR Programme</i></p> <p>Measures are to be implemented to ensure that the administration and payment of amounts in relation to this service is adequately certified and controlled. Thus, an officer, accountable for such claims is to be identified. The respective officer's responsibility is to include corroboration of claims prior to settlement and filing of backing documentation for verification purposes.</p>	<p>✘</p>	<p>The NWAR programme no longer falls under the responsibility of FES.</p>		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Irregular Services for the running of Programme</i></p> <p>NAO reiterates that contracts of service are to be in place from the outset in order to regulate the employer and employee relationship. The amounts earned are to be invariably processed through the payroll system and taxed at the applicable income tax rates. This will assist the Inland Revenue Department in collecting the correct amount of tax dues in a timely manner and eliminate the possibility of tax evasion.</p>	<p>✓</p>		<p>Contracts of service are in place.</p>	<p>Implemented</p>
<p><i>Cleaning Services</i></p> <p>Claims for payment should only be settled following a thorough reconciliation with duly endorsed supporting documents, in order to ensure correctness.</p> <p>It is also to be ascertained that contractors submit the required performance guarantee in full for the respective contracts to avoid undue exposure to the related risks.</p>	<p>✓</p>		<p>Currently, no similar contracts are in place, however in future reconciliations will be carried out in order to ensure correctness.</p> <p>Recommendation has been noted and FES will comply as necessary when managing future similar contracts.</p>	<p>Not applicable</p> <p>Not applicable</p>
<p><i>Shortcomings in the Procurement of Temping Services</i></p> <p>FES is to strive to ensure that the method of procurement is in line with the applicable regulations, thus ascertaining transparency and fairness. All service providers are to be given equal opportunity to submit their quote.</p>	<p>✓</p>		<p>This particular service has been terminated, therefore it is no longer applicable. Compliance in procurement procedures will be ensured through the Ministerial Procurement Unit (MPU).</p>	<p>Not applicable</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Quality Assurance Services Timesheets not available</i></p> <p>The absence of timesheets leads to a lack of control over the hours worked and ultimately on the respective payment. Thus, invoices are to be invariably passed for payment, only if the relevant supporting documentation is provided and duly verified.</p>	✓		<p>Recommendation has been noted and FES will comply as necessary when managing future similar contracts.</p>	Not applicable
<p><i>Central Filing System not in place</i></p> <p>FES is encouraged to set up a centralised filing system as soon as possible. This will ensure ease of reference as well as an adequate audit trail and business continuity in the event of a change in roles and responsibilities within the organisation.</p>	✓		<p>FES is in the process of introducing a centralised filing system.</p>	June 2017
COMPLIANCE ISSUES				
<p><i>Lists of Direct Orders and Departmental Contracts not published</i></p> <p>Officers in charge are to be fully aware of the relevant regulations and are to ensure that the required publications in the Government Gazette feature accordingly in a timely manner.</p>	✓		<p>Lists of Tenders, Calls for Quotations, and Direct Orders are being published in the Government Gazette in line with circular, and copied to the Compliance Unit at DoC.</p>	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>VAT Receipts not submitted</i></p> <p>Effort is to be made to enforce the principle that VAT receipts are invariably obtained for every purchase of goods and/or services, in line with VAT regulations. These are to be kept in the same file to support the respective payments.</p> <p>Management is to regularise its position by complying with the relevant circulars and report VAT defaulters accordingly.</p>	<p>✓</p>		<p>Management will be complying with the established procedures.</p> <p>VAT return for 2016 has been submitted. Returns for 2017 will be submitted in line with MF Circular No. 2/2012.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Financial Accountability</i></p> <p>Once the necessary set-up is in place for the smooth running of finance operations, Management is to ensure that the audited financial statements and other information, as required by the statute of FES, is submitted by the established deadlines.</p>	<p>✓</p>		<p>The 2016 financial audit was conducted in January/February 2017, in line with Statute requirements. Business Plans and Financial Budget were also submitted by established deadlines.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Payroll Shortcomings within NWAR Programme</i></p> <p>Measures are to be implemented to ensure that the administration and payment of amounts in relation to this service is adequately certified and controlled. Thus, an officer, accountable for such claims is to be identified. The respective officer's responsibility is to include corroboration of claims prior to settlement and filing of backing documentation for verification purposes.</p>	<p>✓</p>		<p>The staff payment process as stated in the SOP is being adhered to. Moreover, timesheets are certified correct by the Senior Manager and filed for verification purposes. Furthermore, as from January 2017, a double checking exercise is also being performed.</p>	<p>Implemented</p>

Ministry for Sustainable Development, the Environment and Climate Change

Agriculture Support Scheme

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
LIMITATION ON SCOPE OF AUDIT <u>Uncertainty on Basis for determining Subsidies due to Beneficiaries</u>			The Agriculture Support Scheme (SMPPMA) subsidy was discontinued as from 1 st January 2015. Principle taken on board as a matter of course.	Not Applicable
MSDEC is to ensure that calculations of amounts due to beneficiaries are consistent from one year to another and supported by official documentation. Such documentation is to be retained for future reference.			Recommendation is no longer applicable to the Agriculture Support Scheme as it was discontinued.	Not Applicable
<u>Required information not made available for Audit Purposes</u>	✓		Recommendation has been noted and taken on board.	
Auditees are expected to maintain records in a way that enables timely forwarding of all information and explanations upon request, hence facilitating the performance of the audit.			A new IT system is being gradually introduced, which allows for data entry and data uploading.	May 2017
<u>Source Documentation not forwarded by all Pitkala</u>			All source documentation is being adequately retained.	Implemented
<i>Pitkali Markets</i> is to ensure that it is in possession of all source documentation, thus avoiding having to revert to the private <i>Pitkala</i> in the event of independent verification by third parties.				
<i>'Nil'</i> Value Transactions featuring in <i>Pitkala Reports</i>	✗	Rather than 'Nil' value, these were transactions that have a value of £0 representing actual produce given to buyers as promotion.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Subsidy Payments</i></p> <p><u>No Source Documentation retained by the Pitkali Markets</u></p> <p>As mentioned previously, Pitkali Markets is to retain all source documentation, which is to be systematically filed, either physically or electronically, and held for future reference.</p> <p><u>Produce Weights as recorded in the Pitkali Markets Management System not in agreement with Source Documentation</u></p> <p>Pitkali Markets is to place more care when data is input in its system, so as to avoid similar errors from occurring. Requesting refunds for the excess subsidy given is also to be considered.</p>	<p>✓</p> <p>✘</p>	<p>According to the data available, Pitkali Management is not in agreement that subsidy was overpaid. There are instances when a Pitkali sells a box of produce at a value of €0. This happens mostly as a promotion tactic when there is a high volume of produce in season. Although the produce is marked as Nil this is still considered to be a sale for the producer, and hence, the subsidy and the product is considered to be sold. Therefore, in the data provided by the Pitkali, the box of produce has no value. However, in our IT system this is still considered a sale, not an overstatement.</p>	<p>A new IT system is being gradually introduced, which allows for data entry and data uploading.</p> <p>All source documentation is being adequately retained.</p>	<p>May 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>CONT. Subsidy Payments</i></p> <p><u>Pitkali</u> Personnel not present during the unloading and sale of Products at the Pitkali Sheds</p> <p>Whilst the Ministry is urged to improve its current operations, it is to refrain from effecting payments based solely on unverified third party information.</p>	✓		No longer applicable since scheme was discontinued.	Not Applicable
<p><i>Bank Account held with a Local Commercial Bank</i></p> <p>MSDEC is to refrain from placing reliance on the commercial bank for the administration of its accounts. It is also to ensure that all bank accounts are monitored and reconciled on a regular basis.</p> <p>By maintaining full control, the possibility of being faced with accumulated charges and un-reconciled amounts is minimised.</p>	✓		<p>Proposal taken on board. A new system was installed in 2015 that allows MSDEC to exercise appropriate controls.</p> <p>Reconciliations are being carried out.</p> <p>Since the banking system changed in March 2015, this is no longer applicable.</p> <p>The new banking system is catering for these issues.</p>	<p>Implemented</p> <p>Implemented</p> <p>Not applicable</p>

Ministry for Transport and Infrastructure

Ministry for Transport and Infrastructure – Expenditure

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Services procured without the Necessary Approvals</i></p> <p>It is recommended that MTI adheres fully to the requirements of the Public Procurement Regulations, to ensure fairness, and provide equal opportunity to all interested parties in the provision of services.</p>	<p>✓</p>		<p>Training was delivered with respect to the New Public Procurement Procedures.</p> <p>An internal Memo (No. 11/2017) was issued on the 27th February 2017, on 'Direct Contract Approval'.</p> <p>Calls for the posts of Procurement Manager and Procurement Support Officer were issued to strengthen the Procurement Section.</p> <p>Public Procurement Regulations are being adhered to.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>Lack of compliance with Standing Travel Regulations</i></p> <p><u>Flight Documentation not available</u></p> <p>As required by the relative provisions of the PSMC, whenever the services of Air Malta are not used for some permissible reason, alternative air travel arrangements should only be authorised on the presentation of three quotes, one of which must always be from Air Malta.</p> <p>Reports on the visit should also be prepared by the travelling officers and be submitted to MTI accordingly.</p>	<p>✓</p>		<p>In all the cases three quotations were requested from the open market, one of which was always sought from Air Malta, as stipulated in the PSMC.</p> <p>Management MTI informed the Minister's secretariat that a travel report is to be compiled by Ministerial delegations when travelling abroad.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in relation to General-Use Vehicles</i></p> <p><u>No Logbooks being kept</u></p> <p>The Ministry is to ensure that a logbook is maintained for each of its general-use vehicles, detailing all the trips made, as well as the signatures of the officer making the journey.</p>	<p>✓</p>		<p>Management held a meeting with the responsible officers of Government owned vehicles.</p> <p>Moreover, MTI will perform random checks on logbooks.</p>	<p>Implemented</p>
<p><u>Shortcomings in the compilation of Logbooks</u></p> <p>In line with standing regulations, each logbook is also to be certified by the officer in charge of transport at the end of each month, to ensure that the trips recorded in the logbook were made on official duty and that fuel consumption is reasonable and justifiable.</p>			<p>A Transport Manager/Senior Principal will be recruited to ensure better management and compliance.</p>	<p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings related to Inventory</i></p> <p><u>Inventory Lists not updated</u></p> <p>It is recommended that periodic checks are carried out on inventory items to ensure that any discrepancies are recognised.</p> <p>Moreover, as stated in MF Circular No. 14/99, "... Each item shall be physically marked with a consecutive identification number ..." It is recommended that this procedure is adhered to, and that, as far as is practicable, items are physically marked with a permanent identification number.</p> <p>Fixed asset additions are also to be forwarded to the officer in charge of inventory for eventual recording in the respective records, to ensure the safeguarding of assets owned by Government.</p>	<p>✓</p>		<p>A list of officers responsible for Inventory Management at the different sections was provided.</p> <p>Inventory report has been completed.</p> <p>Moreover, Management explained that periodic checks will be carried out.</p> <p>An inventory officer has been identified to carry out such checks.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Non-compliance with Fiscal Obligations</i></p> <p><u>Missing Fiscal Documentation</u></p> <p>Every effort is to be made to enforce the principle that VAT receipts are invariably obtained from suppliers for every purchase of goods and/or services.</p> <p><u>Non-submission of VAT Quarterly Returns</u></p> <p>Additionally, defaulting suppliers are to be reported in the quarterly VAT defaulters lists, required to be submitted to VAT Department as per MFEI Circular No. 2/2012, for appropriate action to be taken. 'Nil' Returns are also to be forwarded accordingly.</p>	<p>✓</p>		<p>Management provides copy of the exchange of correspondence with on of the defeciliters and a tax invoice was subsequently obtained.</p> <p>Suppliers are being chased for VAT receipts, and defaulters will be duly reported.</p>	<p>Implemented</p> <p>Implemented</p>

Ministry for Transport and Infrastructure

Transport Malta – *Ex-Gratia* Grant Scheme

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>GOOD PRACTICE</p> <p>NAO was satisfied that procedures in relation to the Ex-Gratia Grant Scheme were in place and correctly followed by TM.</p>	<p>✓</p>		<p>No action required. In its reply, Management fully concurred with NAO's reviews and comments, while expressing its satisfaction on the audit methodology adopted.</p>	

Ministry for the Economy, Investment and Small Business

Ministry for the Economy, Investment and Small
Business – Expenditure

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Procurement, Agreements and related Payments</i></p> <p><u>Back-dated Contract entered into with the Malta Information Technology Agency</u></p> <p>Agreements with service providers are to be endorsed by all parties prior to their effective date, or as close to it as possible.</p> <p>Additionally, contracts with third parties are to be continuously monitored in order to ensure that all the clauses, including payment terms, are fully respected and complied with.</p> <p><u>Inconsistencies in obtaining Quotations for the Lease of a High-end Vehicle</u></p> <p>Whilst all requests for quotations for the procurement of a particular good or service sent to prospective suppliers are to contain identical information, any queries raised by these suppliers are to be answered in a timely manner. This will enable the Ministry to have sufficient comparable information for the selection of the best option from the ones made available. MEIB is also to ensure that only bids that satisfy the pre-established requirements are ultimately chosen.</p> <p><u>Overtime not charged in accordance with Tender Document</u></p> <p>The Ministry is to ensure that invoicing by service providers is in accordance with the rates and conditions stipulated in both the Service Contract, as well as the respective Tender Document.</p>	<p>✓</p>		<p>MEIB are ensuring that contracts are signed before coming into force.</p> <p>Payments are in line with agreement.</p> <p>The monitoring process is included in the Financial Policy.</p> <p>Management is to ensure compliance.</p> <p>A Financial Monitoring Policy was issued indicating the procedure for the proper request for quotations.</p> <p>MEIB is to ensure compliance.</p> <p>A Financial Monitoring Policy has been issued.</p> <p>MEIB is to ensure compliance with the Financial Monitoring Policy.</p> <p>MEIB recouped the wrongly invoiced amount, which amounted to €29.20. MEIB confirmed that after going through all the invoices, no other similar instances were found.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Sponsorship not covered by an Agreement</u></p> <p>A policy decision has already been taken by MEIB whereby, in future, similar reimbursements falling over such a short transaction period will be immediately provided for through an agreement without the prerequisite of a Letter of Intent, thus simplifying bureaucratic procedures.</p>	<p>✓</p>		<p>Sponsorships are covered by an agreement.</p>	<p>Implemented</p>
<p><i>Documentation</i></p> <p><u>Transfer of Vehicles not appropriately documented</u></p> <p>Any transfer of vehicles from one Ministry to another is to be duly authorised and backed by supporting documentation. This is to be retained and appropriately filed for future reference.</p> <p>Furthermore, since the agreements for the above-mentioned leases were entered into by the 'Ministry of Tourism', one is to consider whether to revise such contracts to reflect the current lessee of the said vehicles, or to enter into new lease agreements.</p>	<p>✓</p>		<p>Recommendation has been noted. MEIB will ensure that any contracts taken over from other Ministries/Entities will be amended accordingly and relevant documentation inserted in the relative file.</p> <p>The current lease contract is in the name of MEIB.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Expo Milan 2015</u></p> <p>Lack of Supporting Documentation for Expenditure relating to the organisation of the Malta Day Concert</p> <p>Similar procurement of services is to be consolidated by an agreement, clearly indicating each of the contracting parties' financial responsibilities. This agreement is to be duly endorsed and retained for future reference.</p> <p><u>Audit concern about Approval obtained from the Ministry for Finance</u></p> <p>Requests for direct order approvals are to clearly indicate the expenses for which MFIN authorisation is being sought.</p> <p>Furthermore, whilst verbal approvals are to be avoided, if circumstances necessitate that authorisations are obtained in this manner, MEIB is to ensure that such direct order approvals are ultimately backed by official ones.</p> <p><u>Permanent Secretary Approval sought subsequent to Payments</u></p> <p>Expenditure warranting approval prior to being paid is to be duly and timely authorised by the right level of authority, as per standing procurement regulations.</p> <p><u>No Agreement for the Provision of Video Production and Photography</u></p> <p>The Ministry is to persist in its requests for agreements to be in place and duly endorsed by the contracting parties before the respective services are carried out.</p> <p><u>Shortcomings in Reimbursements effected to Malta Enterprise</u></p> <p>Although ultimately both MEIB and ME obtain their finances from the Consolidated Fund, for better accountability, it is to be ensured that expenses are borne from the appropriate Vote or Item.</p>	<p>✓</p>		<p>Recommendation has been noted.</p> <p>DO approvals clearly indicate the expenses for which MFIN authorisation is being sought.</p> <p>MEIB is to ensure compliance.</p> <p>A Financial Policy has been issued to address this shortfall.</p> <p>MEIB is to ensure compliance with the Financial Policy.</p> <p>Recommendation has been noted.</p> <p>Recommendation has been noted.</p>	<p>Implemented May 2017</p> <p>Implemented May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Travel</u></p> <p><u>Overpayment to Travelling Officer</u></p> <p>All statements of expenses, together with the supporting receipts, are to be thoroughly checked. Calculations are also to be recomputed to ensure that amounts claimed and refunded are accurate.</p> <p>Furthermore, the above-mentioned situation is to be rectified and the amount of €1,190 recouped by MEIB.</p> <p>Purchases not considered as relating to Official Business claimed as <u>Travel Expenditure</u></p> <p>The Ministry is to ensure that only justified incidental expenses and purchases incurred on official business are expensed out of contingencies.</p> <p>Furthermore, statements of expenses submitted by travelling officers are to be duly verified to ascertain that expenses claimed are in line with the requirements of the PSMC.</p> <p>Claiming reimbursement for presumably personal purchases is also to be considered by MEIB.</p> <p><u>Advances forwarded in Cash</u></p> <p>For security reasons, the Ministry is to consider limiting the amount of cash advances and apply the procedure utilised in the case of other Ministerial and Private Secretariat travelling officers.</p> <p><u>Nature of Expenses not identifiable from Supporting Documentation presented by Travelling Officers</u></p> <p>Statements of expenses following official travel are not to be processed by MEIB, unless all purchases claimed as refundable expenditure are supported by adequate documentation. In the event that the receipts are in a language other than English, the travelling officer is expected to state the nature of the purchases made.</p>	<p>✓</p>		<p>A Travel Manual of Procedures was issued in January 2017.</p> <p>MEIB is to ensure compliance with the Travel Manual of Procedures.</p> <p>Amount recouped as necessary.</p> <p>A Travel Manual of Procedures was issued in January 2017.</p> <p>MEIB is to ensure compliance with the Travel Manual of Procedures.</p> <p>The amounts of €285.86 and €318 have been recouped as necessary.</p> <p>Money advances are being forwarded via bank transactions.</p> <p>A Travel Manual of Procedures has been drawn up in order to address these issues. Officers in charge of Travel have been instructed to follow this Manual. Management is to ensure compliance.</p>	<p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>CONTD. Travel</i></p> <p><u>Errors noted in the Travel Documentation and other Shortcomings</u></p> <p>The Ministry is expected to be fully compliant with all the relevant provisions of the PSMC as regards visits abroad.</p>	✓		<p>A Travel Manual of Procedures was issued in January 2017.</p> <p>MEIB is to ensure compliance with the Travel Manual of Procedures.</p>	<p>Implemented</p> <p>May 2017</p>
<p><i>Inventory</i></p> <p><u>Discrepancies noted during Physical Inspections</u></p> <p>Whilst MEIB is to continue in its exercise of keeping the Inventory Database up-to-date, periodic physical verification of records is also encouraged, to ensure that inventory records truly reflect the description, quantity and location of items. Any transfer of assets, both permanent and temporary, is also to be duly recorded.</p>	✓		<p>Inventory exercises are ongoing. Management is taking the necessary actions following identified discrepancies.</p>	<p>Implemented</p>

Ministry for the Economy, Investment and Small Business

Commerce Department - Trading Licences Revenue

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUE</p> <p><i>Insufficient Verification of Application Detail Requirements</i></p> <p>a) NAO recommends that CD liaises with other entities, such as the then MEPA, the VAT Department and the then Employment and Training Corporation, to verify that trading activity commenced as declared in the application form, whilst all information was correctly submitted.</p> <p>b) It is also suggested that in the case of new applications, on-site spot checks are carried out by the Department to obtain further assurance prior to respective trade licence issuance.</p> <p>c) Finally, NAO opines that the Department is to enforce penalties, as stipulated in TLA, to avoid situations where businesses without a trading licence commence operations without proper authorisation.</p>	<p>✘</p>	<p>A trading licence is no longer required in respect of the commercial activities in question. The charging of penalties and enforcement powers have been formally delegated to the Police.</p>		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Discrepancies between the Department's Reporting Systems</i></p> <p>NAO recommends that reconciliations are performed on a regular basis to detect any material misstatements that may have an impact on the closing revenue figure, as reported by the two systems. This would ensure the reliability of any information extracted from both LMS and DAS for control or reporting purposes.</p>	<p>✓</p>		<p>Reconciliations are to be performed on a regular basis to detect any material misstatements that may have an impact on the closing revenue figure, as reported by LMS and DAS.</p>	<p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in relation to the Collection of Arrears of Revenue</i></p> <p><u>Accumulation of Arrears due to Delayed Action by the Department</u></p> <p>It is highly recommended that the Department increases its efforts to control arrears of revenue and reduce such amounts to an acceptable level. Timely and effective action is to be taken in all circumstances in order to safeguard the interests of the Department and collect what is due to Government.</p> <p>In cases where Renewal Notices are issued to licensees but no payments are effected within the stipulated timeframe, CD must take note of such defaulters, and proceed with immediate action to recoup such amounts, thus enhancing the collection process. By immediately identifying payment delays, and taking corrective action in a timely manner, situations of legal prescription or misinformation will be minimised.</p> <p>Furthermore, the Department ought to apply the penalties as stipulated in Article 18 of TLA, on those defaulters who repeatedly ignore Renewal Notices and do not settle the amounts due to the Department within a reasonable timeframe.</p> <p><u>Accumulating Arrears of Revenue with no Guarantee of Recoupment</u></p> <p>NAO recommends that this situation is to be resolved as soon as possible, so that arrears of revenue reported by the Department reflect the real position of outstanding amounts due to CD.</p>	<p>✓</p>		<p>CD has increased its efforts to control arrears of revenue. A strategy was formulated in order to collect what is due to Government.</p> <p>A decision will be taken by end of year on how to proceed in respect of those cases where payment is not made.</p> <p>Enforcement powers and the charging of penalties have been formally delegated to the Police by the Cabinet.</p> <p>The Director Trade Services will be writing to licensees informing them of the situation and unless they object, TLU will be annulling the licences in question. If licensees do object, TLU will seek legal advice on how to proceed.</p> <p>Action will be taken so that by end of year arrears of revenue reported by the Department will reflect the real position of outstanding amounts due to CD.</p>	<p>Implemented</p> <p>December 2017</p> <p>Not applicable</p> <p>August 2017</p> <p>December 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUE</p> <p><i>Remittances to Public Account not effected in a Timely Manner</i></p> <p>NAO opines that the strengthening of the Accounts Section will enable the Department to improve the internal control setup, as well as assist in reducing inherent risks. In line with best practice, cash and cheques are to be deposited on a regular basis, to ensure that the handling of public funds is done with utmost care and diligence.</p>	<p style="text-align: center;">✓</p>		<p>The Accounts section was centralised at the Ministry and is no longer being administered by CD.</p> <p>Cash and cheques are being deposited on a regular basis.</p>	<p>Not Applicable</p> <p>Implemented</p>

Ministry for Home Affairs and National Security

Armed Forces of Malta – Expenditure

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Reimbursements of Medical Receipts</i></p> <p>Reimbursements of medical expenses are to be adequately verified and covered by an official policy approved by the respective Ministry.</p>	<p>✓</p>		<p>AFM General Order dated 4th May 2016 was issued to this effect.</p> <p>Claims are being verified by AFM Principal Medical officer.</p> <p>It will be ensured that reimbursements are only effected in respect of eligible items included in receipts.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Lack of Verifications</i></p> <p>All invoices are to be invariably verified and certified as correct by the officers in charge, in order to confirm their accuracy before processing for payment.</p> <p>Furthermore, in order to ensure that amounts claimed are correct, each payment is to be adequately substantiated with source documentation, which is to be properly filed for future reference.</p>	<p>✓</p>		<p>Adequate verification is being confirmed. Recommendation has been noted.</p>	<p>Implemented</p>
<p><i>Water and Electricity Bills charged by Gozo Channel Co Ltd</i></p> <p>A bilateral agreement is to be in place to regulate the provision of the respective service. Furthermore, the amounts charged by the service provider are to be cross-checked with the original bills issued by the latter.</p>	<p>✓</p>		<p>On the 15th June 2012, an agreement was made with the Lands Department whereby it was mentioned that AFM is to bear water and electricity costs.</p> <p>Bills from Gozo Channel are being cross checked with the Sub Meter readings at Mgarr Harbour.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Misleading Information resulting in Excessive Mobile Phone Bill</i></p> <p>Officers in charge of administrative matters, who are communicating information to travelling officials, are to be duly aware of the applicable roaming rates for different countries, to ensure cost efficiency.</p>	✓		AFM are paying communication allowances to officers in scale 4 or above as per PSMC provisions.	Implemented
<p><i>Commitment of Funds subsequent to receipt of Invoice</i></p> <p>Efforts are to be made by AFM in order to, whenever possible, issue LAs or LPOs when the actual commitment to purchase is made, ensuring that expenditure is duly authorised and adequate funds are available.</p>	✓		AFM will be ensuring that LPOs/LAs are raised before the actual invoices.	May 2017
<p><i>Shortcomings in the Fleet Management System</i></p> <p>AFM is to ascertain completeness and accuracy in the recording of data in the system.</p>	✓		<p>Descriptions in the recording of data in the system correspond to the 'Make', 'Model' and 'Bodytype'.</p> <p>Any blank data entries are being filled.</p>	<p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Insufficient Monitoring over Fuel Consumption</i></p> <p>The relative provisions of PSMC covering logbooks are to be complied with, in order to enhance control over vehicle usage and fuel consumption.</p>	<p>✓</p>		<p>Motor Transport Officers are and will be ensuring the implementation of the respective AFM Standing Order in line in its entirety with the applicable Manual on Transport and Travel Policies and Procedures. This includes that the logbook is endorsed by the officer making the journey.</p> <p>AFM is ensuring adherence with all applicable policies and procedures.</p> <p>Motor Transport Officers have been verbally informed of shortcomings and were ordered to tighten controls.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>Procurement without appropriate approval</i></p> <p>AFM is to obtain the most advantageous prices within the market. Procurement by direct order is only to be made as a last resort after the necessary approvals are acquired.</p> <p>Before effecting payments, endorsing officers are invariably expected to verify that appropriate authorisation to purchase was obtained. In addition, officers entrusted with the authorisation of payments are to be held accountable in case they fail to carry out their duties properly.</p> <p>Furthermore, whilst acknowledging that immediate instructions were issued to implement the applicable procurement procedures, and that demands for fuel, oils and lubricants are now to be endorsed by the Brigadier (Commander), it is to be ensured that such procedures are duly followed.</p>	<p>✓</p>		<p>Communication regarding New <i>Public Procurement Regulations</i> - LN 352/2016 dated January 2017 was issued in the light of the new Public Procurement Regulations.</p> <p>Training is being held to all Quarter Masters and subordinate staff regarding the new Public Procurement Regulations.</p> <p>AFM is ensuring that the Public Procurement Regulations are adhered to.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Bunkering Services extended perpetually</i></p> <p>In order to guarantee that the best rates and conditions are obtained within a framework of a transparent and fair selection process, a fresh call for tenders or quotations is encouraged for future similar instances. Furthermore, Management must strive to ascertain that procurement is invariably backed up by adequate and timely approvals.</p>	✓		<p>With effect from March 2015, upon completion of an EU project and the commissioning of a fuel farm at Maritime Squadron, no bunkering services are further required except for two vessels which, for accepted specific reasons, still require bunkering services.</p> <p>Tenders are in the process of being issued.</p>	Implemented
<p><i>Other Competitive Suppliers not considered</i></p> <p>Fuel procurement is to be made in accordance with PPR, which also includes the option of adopting a framework agreement, with the possible 'call offs' on a regular basis according to AFM's requirements. If need be, further guidance may be sought from the Department of Contracts in this regard.</p>	✓		<p>Tenders are in the process of being issued.</p>	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in the Procurement of Petrol and Diesel</i></p> <p>Calls for quotations or tenders, for purchases above the €6,000 (VAT excl.) threshold, are to be duly published in the Government Gazette, in order to give the opportunity to all potential suppliers to submit their quote.</p> <p>Furthermore, purchases of fuel are to be invariably backed up by valid contracts. Timely planning to initiate the procurement process is also of utmost importance, so as to ensure that new calls for quotations or tenders, as applicable, are published and adjudicated before the agreement in force expires.</p>	✓		Tenders are in the process of being issued.	Implemented
<p><i>Direct Orders</i></p> <p>Management is to refrain from entering into commitments, unless all the necessary approvals have been duly obtained. Moreover, requests for direct order authorisation are to be resorted to only in exceptional circumstances and supported by proper justification.</p>	✓		Tenders are in the process of being issued.	Implemented
<p><i>List of Awarded Tenders and Direct Orders published late</i></p> <p>Officers in charge are to be fully aware of the relevant regulations, as the necessary publications are to be made in the Government Gazette in a timely manner, every six months. Whilst acknowledging that the lists with the names of the contractors and the details of the related contracts were eventually published, best practice suggests that the respective amounts are also indicated.</p>	✓		Tenders/Direct Orders for the first six months of 2016 were published in the Government Gazette. Tenders/Direct Orders for the second half of 2016 were forwarded to the Ministerial Procurement Unit (MHAS) for publication.	Implemented Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Inadequate Details on Payment Vouchers</i></p> <p>Complete details, including quantities of items procured and period, where applicable, are to be invariably recorded on PVs in order to enable proper verification and also to be in line with standing regulations.</p>	✓		<p>Recommendation has been noted.</p>	
<p><i>No Designated Officers in charge of VAT Issues</i></p> <p>In line with the applicable circulars, specific officers are to be officially designated to ensure that the directives on VAT matters are duly followed.</p>	✓		<p>A Major has been designated as Officer in Charge of VAT issues.</p> <p>In his absence, two other officers carry out the respective duties.</p> <p>VAT Returns due at the end of September and December were submitted.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p><i>Tax Invoices not available</i></p> <p>Officers in charge at AFM are to ascertain that they are furnished with proper tax invoices meeting the criteria set out in the VAT Act. Invalid tax invoices provided by the supplier and/or service provider are not to be accepted. In cases where sellers fail to adhere to VAT regulations, Management is to consider discontinuing purchasing from such defaulters until the situation is rectified.</p>	✓		<p>Further action is being taken to ensure that AFM is furnished with the proper tax invoices, thus meeting the criteria set out in the VAT Act. The necessary action is being taken vis-à-vis defaulters.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>List of Defaulters not compiled</i></p> <p>Quarterly returns with details of defaulters are to be submitted to the Audit and Assurance Section of the VAT Department on a quarterly basis, as required by the pertinent circulars.</p>	✓		<p>Latest defaulters return was sent to VAT Department on the 17th February 2017 covering the period July to September 2016.</p>	Implemented
<p><i>Inventory Returns not submitted to the Auditor General</i></p> <p>Statutory information is to be forwarded to NAO, in order to ensure compliance with the established provisions and enable control over inventory items.</p>	✓		<p>Inventory return submitted on 9th January 2017 to Treasury, and 15th February 2017 to NAO.</p>	Implemented
<p><i>Shortcomings in the Inventory Database</i></p> <p>The inventory database is to be updated without undue delay, in order to reflect precise and reliable data as required by MF Circular No. 14/99.</p>	✓		<p>Training will be provided to existing officers on the 12th April 2017.</p> <p>Following training, a Circular will be issued in this regard.</p> <p>Minor inaccuracies are being addressed.</p> <p>The Inventory Database is being updated as necessary.</p>	<p style="text-align: center;">Implemented</p> <p style="text-align: center;">May 2017</p> <p style="text-align: center;">Implemented</p> <p style="text-align: center;">Implemented</p>

Ministry for Home Affairs and National Security

Correctional Services – Expenditure

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Lack of Progress in the Internal Control System</i></p> <p>Management is encouraged to implement NAO's recommendations suggested under the respective observations for a sound audit trail, transparent procedures and a marked improvement in internal controls.</p>	<p>✓</p>		<p>Two Key Management personnel were recruited during 2016.</p> <p>Vacant posts are being filled in line with public service recruitment procedures to ensure adequate line of command resulting in best line of control practices particularly in the line of procurement procedures. Verbal instructions have been issued to all staff concerned.</p> <p>SOPs are to be drawn up for all processes.</p> <p>As regards to procurement, CCF is in the process of issuing tenders, thus contributing towards ensuring that the public procurement regulations are adhered to.</p> <p>Training on EPPS was provided to CCF officials.</p>	<p>Implemented</p> <p>Implemented</p> <p>October 2017</p> <p>October 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Provision of Medical Services</i></p> <p><u>Non-adherence to Standing Procurement Regulations</u></p> <p>In order to ensure effective management, timely action is to be taken to optimise value for money, whilst ensuring a fair and transparent selection process, in accordance with standing procurement regulations. Additionally, formal agreements are to be invariably in place to secure the provision of the service and minimise misunderstandings, hence avoiding potential future conflicts.</p> <p><u>Charge for Services rendered not corroborated</u></p> <p>The terms and conditions regulating services procured are to be formally in place. Efforts are to be made to introduce systems which will enable adequate verification of charges imposed. No payments are to be effected unless invoices are properly verified to ensure their correctness and certified accordingly.</p>	<p>✓</p>		<p>The services under this contract have been terminated. No further payments are due to the company providing medical services.</p> <p>CCF is working on a number of tenders that will be issued during 2017, thus ensuring that the public procurement regulations are adhered to.</p> <p>The terms and conditions regulating the medical services currently being provided are formalised in a contract. CCF stated that the doctors providing the service to CCF punch on their way in and way out. This is printed by the officer concerned and duly checked.</p> <p>Moreover, checks are being carried out and documented.</p> <p>Invoices are being signed prior issuances of payments by the Senior Manager or the Director.</p>	<p>Not applicable</p> <p>October 2017</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Appointment of Medical Doctor</i></p> <p><u>Inadequate Planning leading to Procurement by Direct Order</u></p> <p>Contracts are to be monitored, to avoid situations of crisis management and the need to resort to direct orders, which may not be the optimal cost efficient method of procurement.</p> <p><u>Unsigned Contract for Service</u></p> <p>All procurement involving the provision of services by third parties is to be covered by valid agreements with the service providers. Thus, in similar future instances, action is to be taken to ensure that the necessary agreements are formalised in due time to avoid negative repercussions that could jeopardise the service.</p>	<p>✓</p>		<p>CCF is currently being serviced by medical doctors through a direct order. However, a tender will be issued for the provision of medical services.</p> <p>The services being rendered by the medical doctors are covered by a contract.</p>	<p>October 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Payments to Sports Coordinator</i></p> <p><u>Justification for Direct Order Approval not substantiated</u></p> <p>Management is to ensure that all documentation supporting procurement of both goods as well as services is adequately filed to substantiate decisions taken, thus ensuring a complete audit trail.</p> <p><u>Finance Authority to renew Contract not made available</u></p> <p>Relevant approvals are to be invariably obtained as required by standing regulations before entering into a contract for service.</p>	<p>✓</p>		<p>A renewed contract for the Sports Coordinator dated 13th October 2015 is in place. It has been duly signed for a period of two years.</p> <p>DO approval for the Sports Coordinator contract has been sought and granted.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Shortcomings in Procurement and Relative Documentation of Closed Circuit Television Maintenance</i></p> <p>CCF is to ensure that procurement by direct order is used only as a last resort. Strict adherence to the terms and conditions under which direct order approvals are granted is recommended, in line with MFEI Circular No. 3/12 - 'Public Procurement by Direct Order'. Management is also to be reminded that Article 25 of the Fiscal Responsibility Act provides for disciplinary action against the responsible officers, when procurement is not appropriately authorised.</p> <p>As already recommended, the necessary maintenance agreements are also to be in place in order to avoid undue disputes.</p>	<p>✓</p>		<p>CCF will be issuing a tender for the provision and installation of a new CCTV system.</p> <p>The tender for the new CCTV system will include the relative service and maintenance agreement, in line with Public Procurement Regulations. In consideration of the security issues involved, CCF Management is taking note of the recommendations.</p>	<p>June 2018</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Absence of a File Registry System</i></p> <p>NAO reiterates that prompt action is necessary to implement an adequate and reliable file registry system. This will improve efficiency, in both the administration and management functions, as it facilitates tracking the location of files and accessibility to records, as necessary.</p> <p>Setting up this system will also be of crucial importance for monitoring the duration, terms and conditions of agreements drawn up with suppliers and service providers, thus addressing a number of shortcomings which are being brought to the attention of Management through this Report. In this respect, files can be marked to be brought up for the necessary action on specific dates.</p>	<p>✓</p>		<p>CCF Management has initiated the filing system by opening files by subject matter, ensuring that all documents are filed and red as necessary. In the meantime, a list of files started being compiled.</p> <p>CCF has installed DOC Reg, an electronic Registry System for the better management of files.</p>	<p>December 2017</p> <p>Implemented</p>
<p><i>Stock Management</i></p> <p>In order to strengthen the stock control function, besides maintaining bin cards, Management is to actively consider the reintroduction of a computerised system for stock recording purposes. Subsequent to its implementation, it is to be ensured that both records, i.e. the bin cards and computer system, are invariably updated simultaneously in a timely manner.</p> <p>Adherence to Treasury Circular No. 6/2004 is paramount for the maintenance of proper stock records. Additionally, a report showing the balances of each stock quantity and value, as well as the unserviceable and surplus stock, is expected to be forwarded to the relevant authorities, namely Permanent Secretary, MFIN, Director of Internal Audit and the Auditor General, as stipulated therein.</p>	<p>✓</p>		<p>CCF plans to procure a modern suitable Stock Management System through the Office of the CIO MHAS. A tender will be issued for the supply and maintenance of the Stock Management System.</p> <p>After the installation, all stock records will also be kept electronically.</p>	<p>May 2017</p> <p>December 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>Vehicles for General-use</i></p> <p>Proper logbooks are to be kept for general-use vehicles, indicating each journey performed, the purpose of trips made and exact mileage covered, in order to enable adequate verification.</p> <p>The attention of Management has also been drawn to the relative guidelines outlined in standing regulations, covering the use of such vehicles. Records maintained for every vehicle, will ensure that adequate details of each journey performed are recorded.</p> <p>The same guidelines also require that a certificate is entered on every logbook at the end of each month, confirming that the trips recorded therein were made on official duty.</p> <p><i>Absence of Inventory Database</i></p> <p>An inventory database is to be compiled without further delay, in accordance with MF Circular No. 14/99, in order to reflect precise and reliable data of assets at the disposal of CCF. Awareness of all the requirements outlined in this circular, including the statutory submissions to the Auditor General, is also to be ensured.</p>	<p>✓</p>		<p>New instructions in line with the applicable policies and procedures have been issued.</p> <p>CCF will ensure adherence.</p>	<p>Implemented</p> <p>March 2018</p>

Ministry for Finance

VAT Department – Expenditure and Personal Emoluments

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUE - PERSONAL EMOLUMENTS</p> <p><i>Weak Internal Controls in the Human Resources Function</i></p> <p>The VAT Department should immediately strive to establish effective measures to implement robust internal controls and reduce unnecessary costs within the HR and Payroll function.</p>	<p>✓</p>		<p>A clerk was recruited within the Human Resources Department. Furthermore, an Officer in Grade 5 who is already in place, will be assigned a supervisory role.</p>	<p>Implemented</p>
<p>CONTROL ISSUES - PERSONAL EMOLUMENTS</p> <p><i>Discrepancies between Vacation Leave Documentation and Time Records</i></p> <p>Management is to ensure that the record keeping of VL is reliable, as well as complete, by carrying out regular reconciliations of all documentation and systems in use.</p>	<p>✓</p>		<p>Management issued instructions to all personnel for the correct data to be reported. VL is only accepted via electronic mail and same kept in an electronic folder.</p> <p>Newly assigned staff are being trained accordingly.</p> <p>An SOP will be drafted.</p> <p>Random checks and reconciliations will be carried out.</p> <p>Management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Lack of Authorisation of Vacation Leave</i></p> <p>In order to maintain an adequate control environment, it is recommended that all VL hours shall be adequately authorised prior to utilisation, specifying authorisation date.</p> <p>Furthermore, in order to facilitate VL management, including the application, authorisation and eventual updating of leave records, Management is to consider introducing an electronic system for recording the full VL process. This would ensure that authorising officers are immediately notified of any requests for leave, and HR Section is timely informed of the respective approvals.</p>	<p style="text-align: center;">✓</p>		<p>Electronic procedure for leave application (via email) was introduced for all staff excluding minor staff who do not have an email address.</p> <p>VL is only accepted via electronic mail and same kept in an electronic folder.</p> <p>Vetting and/or verifications will be made after the commencement of new HR clerk.</p> <p>Management will ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Sick Leave not supported by Medical Certificates</i></p> <p>The Department is to ensure compliance with PSMC requirements and initiate disciplinary proceedings against officers who fail to abide by these procedures.</p>	✓		<p>Office Circular No. 2/2017 dated 4th January 2017 was issued. Amongst others, this circular dealt with Sick Leave procedures.</p> <p>Vacation Leave was deducted for the six employees who failed to present a medical certificate. One employee provided a medical certificate.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Discrepancies between Sick Leave Documentation and Time Records</i></p> <p>Documentation related to sickness absences is to be checked regularly against time records. Furthermore, similar to what was recommended in respect of record keeping of VL, the Department may consider integrating the SL function within the payroll system with AVS, in order to ensure the accuracy and completeness of records.</p>	✓		<p>Newly assigned staff are being trained accordingly.</p> <p>An SOP will be drafted.</p> <p>Random checks and reconciliations will be carried out.</p> <p>Management will ensure compliance.</p>	<p>Implemented</p> <p>May 2017</p> <p>June 2017</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Weaknesses in Recording of Attendance</i></p> <p><u>Officers failing to clock out at end of working day</u></p> <p>All VAT officers are to clock out whenever they leave the premises for whatever reason. It is imperative that regular inspections of attendance records are to be carried out to ensure a sound system of internal control over personal emoluments. Moreover, Management needs to be duly informed of all personnel who are actually on premises in case of any emergency, such as an office fire.</p> <p>In addition, all Sections within the Department are expected to inform the HR Section in writing whenever officers carry out duties outside VAT premises during office hours.</p>	<p>✓</p>		<p>Office Circular No. 2/2017 dated 4th January 2017 was issued. Amongst others, this circular dealt with temporary absences procedures.</p> <p>Regular 'Outside Inspections Attendance Sheets' are also being maintained and certified.</p> <p>Management will ensure compliance.</p> <p>Not all inspections require input in the Risk Analysis Application (RAA). In addition, when officers carry out inspections in pairs, only one of the officers inserts findings in RAA.</p> <p>All inspections are being recorded in the 'Record of Outside Duties' (Logbook) - VAT Inspectors according to PSMC.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Temporary Absences Records not maintained</i></p> <p>Management is to ensure that all absences are appropriately recorded and authorised by the senior officer in charge, which is important for a reliable audit trail. Disciplinary action is to be taken in case of all unauthorised absences.</p>	<p>✓</p>		<p>Temporary absence sheets were introduced as from January 2017.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Inadequate Control and Various Weaknesses on Overtime performed</i></p> <p>The maintenance of proper, correct and reliable records is a fundamental element of a sound system of internal control over personal emoluments, including overtime. VAT Department may consider reviewing the record-keeping process, to ensure enhancement of the present manual system in respect of overtime authorisations and respective calculations.</p> <p>In view of the Department's constant requirement for overtime, authorisation from the Permanent Secretary is to be requested in line with PSMC requirements.</p> <p>Management must adequately approve all overtime in advance in order to maximise the value added to the Department.</p> <p>Prior to settlement of overtime payments, verification is to be made by the HR Section as to whether overtime hours claimed have been actually carried out, as well as existing approvals not exceeded.</p>	<p>✓</p>		<p>The HR section has been restructured to cater for adequate controls to be in place.</p> <p>Management issued Circular No. 1/2017 which clearly explains overtime schedule and timing. The Officer assigned to work on overtime has since left the Department.</p> <p>The Department has a pending request for the engagement of an HR Manager to monitor the system and is awaiting approval from MFIN.</p> <p>Requests for overtime approvals are being authorised in line with PSMC requirements.</p> <p>Instructions have been issued and are in place.</p> <p>Random checks and reviews by the HR Section will be carried out.</p> <p>Amounts recouped as necessary.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2017</p> <p>Implemented</p> <p>Implemented</p> <p>June 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Anomalies in Signature of Authorising Officer</i></p> <p>Management is to ensure that officers entrusted with the upkeep of records are aware of their responsibilities and that any type of information forwarded to third parties should be trustworthy.</p>	<p style="text-align: center;">✘</p>	<p>The officer in question was called to give an explanation and he in fact explained and further confirmed and insisted that both signatures were his.</p>		
<p><i>Personal Files not properly maintained</i></p> <p>It is recommended that the HR Section maintains records of all payroll related documentation, to ensure a sound system of internal control, as well as a reliable audit trail. Officers' personal files are to be updated with all relevant documents, including telework arrangements.</p>	<p style="text-align: center;">✓</p>		<p>An officer was assigned additional duties to assist in maintaining and updating of personal files whenever required.</p>	<p>Implemented</p>
<p><i>Employees' Personal Files not safeguarded against Unauthorised Access</i></p> <p>All personal files should be adequately safeguarded and kept in a secured location, to deter unauthorised access, as well as reduce to a bare minimum any manipulation of personal information.</p>	<p style="text-align: center;">✓</p>		<p>Personal files are now being kept in a locked cabinet in the Office of the Assistant Director.</p>	<p>Implemented</p>
<p><i>No Evidence supporting Inspector Allowance paid</i></p> <p>The Department is to ensure that it makes the best possible utilisation of its available staff and that the payment of any allowances is justified, ensuring best value for money.</p>	<p style="text-align: center;">✓</p>		<p>Recommendation has been noted.</p>	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Inaccurate Calculation of Allowance</i></p> <p>In order to establish an efficient system, a review of the payroll processing procedures is to be carried out. Furthermore, to achieve a reasonable level of accuracy, independent checking is recommended.</p>	✓		<p>Newly assigned staff are being trained accordingly.</p> <p>An SOP will be drafted.</p> <p>Random checks will be carried out.</p> <p>Management will ensure compliance.</p>	<p>Implemented</p> <p>May 2017</p> <p>June 2017</p> <p>May 2017</p>
<p><i>Telework Practices not according to Standing Policies</i></p> <p>Irregularities noted are to be rectified without delay and the employees' personal files are to be updated with all relevant documentation. Moreover, telework arrangements are expected to be revisited on an ongoing basis. Hours worked from home, as well as relative output, are to be monitored closely and continuously so as to avoid possible abuse and irregularities.</p> <p>In the event that telework arrangements need to be changed due to work exigencies, such amendments are to be duly authorised and recorded in the respective officer's personal file.</p>	✓		<p>Personal files are being updated so that telework schedules according to agreements are strictly adhered to.</p> <p>Reports regarding work carried out from home are being compiled, and monitored by the Management.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES - EXPENDITURE</p> <p><i>Non-compliance with Public Procurement Regulations</i></p> <p>Local procurement regulations, where applicable, are to be followed in order to ensure transparency, accountability and to provide equal opportunity to all interested parties. It is also recommended that projections of total costs are made prior to engagement of any service provider, and where applicable, a call for tender or applications for such mentioned services is to be considered.</p> <p>In order to ensure accountability, the Department is to obtain the necessary approval from MFIN prior to procuring directly from the open market, which measure is to be resorted to only in exceptional cases.</p> <p>Moreover, the Department is to ensure that procurement of services is at all times supported with a valid Contract Agreement.</p>	<p>✓</p> <p>✘</p>	<p>The management is not accepting the remark by NAO, stating that no documentation was traced to support invoices with an aggregate value of €7,171. However, supporting documentations through an expression of interest are available.</p>	<p>Public procurement regulations will be adhered to with the issue of the new tender.</p> <p>Nevertheless, Management took on board the recommendation and sought approval for direct order effective as from 1st March 2017 as regards lawyer services.</p> <p>Call for the post of junior legal officers will be issued on the Government Gazette dated Friday 14th April 2017.</p>	<p>June 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in relation to General-use Vehicles</i></p> <p>Reference is to be made to the guidelines, stated in Section 8 of the PSMC prevailing at the time of the audit, which stipulate that a proper logbook should be kept for each departmental vehicle to record the exact mileage covered and other journey details, and shall be signed by the respective officer.</p> <p>Moreover, each logbook is to be certified by the officer in charge of transport at the end of each month, in order to ensure that the trips recorded in the logbook were made on official duty and fuel consumption is reasonable.</p> <p>The Department is recommended to ensure that all its general-use vehicles are issued with 'GVN' number plates.</p>	<p>✓</p>		<p>Logbooks are being certified correct on a monthly basis.</p> <p>During a meeting held on the 17th March 2017, instructions were given to all drivers to adhere to the regulations as regards to the use of logbooks.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Refunds Due in respect of Visit abroad following Audit Query</i></p> <p>Officers entrusted with the governance of official visits, are expected to conform with the pertinent regulations, in order to ascertain full accountability of the expenditure incurred. Thus, all travel advances are to be reconciled, and any refunds due are to be collected within one month from return as stipulated in Section 8.10.1.1 of PSMC.</p> <p>In addition, the Department is to carry out a thorough exercise to identify any other possible applicable reimbursements due to the Department relating to pending visits abroad, and any unpaid refunds due are to be recouped without undue delay.</p>	<p>✓</p>		<p>Evidence of re-imburement of both employees was provided.</p> <p>Travel regulations are being followed.</p> <p>Refunds due are recouped.</p> <p>Signatures are being accompanied by a full name, designation, and rubber-stamped.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUE – EXPENDITURE</p> <p><i>Ongoing update on Inventory List</i></p> <p>The ongoing exercise of updating the Inventory List has to be given the utmost priority in view of Government's move towards accrual accounting in the near future. All assets are to be accurately recorded in an Inventory Database. These are to be adequately identifiable and traced to the respective location. Room Inventory Lists are also to be updated to reflect the latest movements.</p> <p>Furthermore, periodic physical verification of inventory items is also recommended, to ensure that inventory records truly reflect the description, quantity and location of items.</p>	<p style="text-align: center;">✓</p>		<p>Process has been initiated. MFIN are waiting for additional personnel to complete the inventory task.</p>	<p>December 2017</p>

Ministry for Finance

Department of Contracts – Expenditure and Personal Emoluments

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES - EXPENDITURE</p> <p><i>Additional VAT charged in respect of Lease of Equipment</i></p> <p>More effort is to be made to ensure that all invoices requesting payments are vetted for correctness against supporting documentation and contract terms agreed upon, before being processed for payment. Moreover, DC is to carry out a full exercise to identify the total amount overpaid to this supplier, followed by the necessary steps to recoup the excess paid.</p>	<p>✓</p>		<p>Amounts due were recovered.</p> <p>Invoices are being vetted and certified correct by the accounting support officer.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Shortcomings in relation to General-use Vehicles</i></p> <p>Management is recommended to refer to the PSMC, in particular Section 8.2.4, to regulate the use of vehicles. These guidelines stipulate that a proper logbook should be kept for each vehicle to record the exact mileage covered and other journey details.</p> <p>Each logbook is to be certified by the officer in charge of transport at the end of each month, in accordance with Section 8.2.5 of the PSMC, to ensure that the trips recorded in the logbook were made on official duty and that fuel consumption was reasonable.</p> <p>Moreover, full details regarding fuel intake are to be clearly recorded on every logbook as per Appendix 8.1 of the PSMC, as a means to verify each general-use vehicle's fuel consumption.</p>	<p>✓</p>		<p>Logbooks are being maintained and certified.</p> <p>Full details of fuel intake are being recorded correctly.</p> <p>Instructions were issued to include the number of litres of fuel taken in the respective logbooks.</p> <p>Management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Time Records not evidenced</i></p> <p>The Department of Contracts is to make sure that AVS is reliable and that all clockings, both 'in' and 'out', are recorded. Moreover, every effort is to be made to ensure that any supporting documents on which payment is effected are to be duly endorsed and verified prior to effecting payment.</p>	<p>✓</p>		<p>Instructions were issued to record the temporary absences related to official business as per PSMC.</p> <p>Management issued instructions that month end reconciliations are to be carried out between the AVS and TOIL databases. These will be endorsed by the Director Administration.</p> <p>Management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p>
<p><i>Other Shortcomings</i></p> <p>All PVs should always be clearly endorsed, in order to indicate the responsible officer authorising the payment accordingly.</p> <p>The Department is to make sure that officers observe the standard purchasing procedures. This will ensure that proper authorisation for the purchase is obtained and that adequate funds are also committed to cover the expense.</p>	<p>✓</p>		<p>Instructions were issued by management so that the person who raises the LPO is not the same person who endorses the respective invoice.</p> <p>Management is to ensure compliance.</p>	<p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES - EXPENDITURE</p> <p><i>Shortcomings related to Inventory</i></p> <p>Management is to ensure that officers entrusted with the upkeep of inventory records fully adhere to the Circular's requisites. This would eventually ascertain adequate and harmonised accrual accounting data.</p> <p>All assets are to be recorded accurately within the Inventory Database. These are to be adequately identifiable with a permanent identification number, as far as is practical. Officers in charge are to ensure that information, including brand and/or serial number, entered into the Inventory Database and recorded in Room Lists, is accurate and complete. Room Lists are also to be updated to reflect latest movements. Both the Inventory Database and Room Lists should contain the same information, and any discrepancies resolved.</p> <p>All sites/rooms should be appropriately identified and assigned a unique number. This would then be reflected in the Inventory Database and respective Room Lists. Periodic physical verification of inventory items is also recommended, to ensure that inventory records truly reflect the description and location of items.</p>	<p style="text-align: center;">✓</p>		<p>Each room has been assigned a unique number matching the blueprint provided by the management.</p> <p>Sequence numbers have been added.</p> <p>Sub-asset classification matches asset description.</p> <p>Management confirmed that the exercise to affix Asset ID to inventory items and update room inventory lists is currently under process. Their target date to complete this exercise is by September 2017. The inventory database is being updated in accordance with the pertinent MF circular.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings related to Travel</i></p> <p>For the sake of transparency and good practice, if officers decide to extend their stay for reasons other than those on official business, quotations, indicating the difference, if any, in the cost of flights, are to be invariably sought. If the cost of the return flight is higher, the responsible officer is to personally incur the difference in price.</p> <p>In the event that officers opt to prolong their visit on non-Government business, the extra days are to be deducted from the officers' VL entitlement, as long as they do not fall on a weekend or national/public holiday.</p>	<p>✓</p>		<p>Approvals are being obtained as required.</p> <p>Recommendation has been noted.</p>	<p>Implemented</p>
<p>KEY ISSUES - PERSONAL EMOLUMENTS</p> <p><i>Weaknesses in recording of Attendance</i></p> <p>Management is encouraged to review its current attendance record system and improve it to better suit its needs. An improved electronic system would not eliminate all weaknesses, but should reduce errors which are more prone to arise from the use of the manual system. Moreover, in addition to providing reliable and accurate records, such system may also result in better perception of transparency and fairness for all employees.</p>	<p>✓</p>		<p>Interim measures are in place. In the meantime, management is reviewing options and action will be taken following due assistance.</p>	<p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Officers' Clockings not always evidenced</i></p> <p>While both the electronic and manual attendance systems are in themselves an element of internal control, incomplete and inaccurate records thereof hinder the benefits that are expected to be attained. Thus, Management is to ensure that all employees clock 'in' and 'out' every time they report to or leave their workplace. Moreover, immediate disciplinary measures are to be taken against those officers who fail to adhere to such directives.</p>	<p>✓</p>		<p>Interim measures are in place. In the meantime, management is reviewing options and action will be taken accordingly. Moreover, disciplinary action will be taken against officers in cases of abuse.</p>	<p>September 2017</p>
<p><i>Documents made available following NAO Queries</i></p> <p>Management is to ensure that officers entrusted with the upkeep of records are aware of their responsibilities and that only trustworthy information is to be forwarded to third parties. It is also important to maintain proper records for a sound system of internal control, as well as a reliable audit trail.</p> <p>In order to minimise the risk that important records are misplaced, VL application forms, as well as requests and subsequent approvals for accumulated VL, are to be systematically filed and retained for future reference.</p>	<p>✓</p>		<p>Appropriate records are being maintained.</p> <p>Although the AVS system does not allow VL to be recorded, this is invariably recorded in DAKAR.</p> <p>Vacation Leave application forms are being sequentially numbered.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES - PERSONAL EMOLUMENTS</p> <p><i>Vacation Leave Application Forms lacking Date of Approval</i></p> <p>It is recommended that for control purposes, the date of approval of VL is recorded by the respective senior officer upon authorisation. Moreover, VL is to be authorised prior to utilisation.</p>	<p>✓</p>		<p>GP44 form is being used and approved as required.</p>	<p>Implemented</p>
<p><i>Requests for Approval for Overtime Work not raised</i></p> <p>A detailed analysis of the necessary additional hours and required personnel is to be prepared prior to the performance of overtime work. DC is also to ensure that these overtime requests are duly authorised by the Permanent Secretary, as per PSMC.</p>	<p>✓</p>		<p>Requests include a detailed work plan for requested overtime hours indicating how hours will be used three months in advance. All requests are being approved by the Permanent Secretary.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Other Shortcomings in relation to Personal Emoluments</i></p> <p>The maintenance of proper, correct and reliable records is a fundamental element of a sound system of internal control over personal emoluments.</p> <p>Regular reconciliations between AVS reports and VL, as well as SL records, are to be performed by the officer in charge, to ensure that any relevant documents and records are updated accordingly. Requests for transfer of VL hours from one year to the next are to be raised in a timely manner and in line with PSMC requirements.</p> <p>Moreover, every effort is to be made to ensure that overtime claim sheets are duly verified and tallied against related records, prior to effecting payment, in order to avoid any discrepancies.</p> <p>NAO acknowledges that due to potential staff shortages, workload pressures may accumulate. Nonetheless, it is advisable that officers are encouraged to take the assigned break time, as outlined in the pertinent working time regulation.</p> <p>Furthermore, NAO is again recommending DC to reconsider the enhancement of the present AVS, so that typical weaknesses, as outlined above, are minimised. DC is to make the utmost use of its system(s) in place.</p>	<p>✓</p>		<p>Instructions were given to recoup the amount. Management is to ensure that the full amount is recouped.</p> <p>Reconciliations are being carried out.</p> <p>Requests for the transfer of VL hours to the following year are being raised in a timely manner.</p> <p>A Memo was issued to remind officers to take the mandatory fifteen minute break.</p> <p>Recommendation has been noted.</p> <p>The situation will be rectified once the AVS system is upgraded.</p>	<p>Implemented May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>September 2017</p>

Ministry for Health

Sir Paul Boffa Hospital – Contractual Services
and Professional Services

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Lack of Internal Control</i></p> <p>The weaknesses in internal control ultimately impinge on the overall control environment within the respective functions of the hospital. In this regard, Management is encouraged to implement NAO's recommendations suggested under the respective observations for a sound audit trail and transparent procedures.</p>	<p>✓</p>		<p>Lack of internal controls started being tackled through the following actions:</p> <p>A presentation with respect to the Control Environment was delivered.</p> <p>MDH has initiated the process of embedding risk management in their operations. Management intends to extend this culture to other entities, including SAMOC.</p> <p>CPSU is liaising with the Department of Contracts regarding issuing of tenders.</p> <p>A list of tenders that should be given priority and processed as early as possible was provided to the Department of Contracts.</p>	<p>Implemented</p> <p>December 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Patients' Catering Services</i></p> <p><u>Contract Extension Ambiguity</u></p> <p>Failure to abide by the original contract conditions creates ambiguities and reduces the level of transparency. Thus, such decisions are to be avoided.</p> <p><u>Scope of the Agreement not Comprehensive</u></p> <p>Requirements are to be duly planned in order to ensure that the respective procurement authority is obtained. Comprehensive agreements are to be drawn up accordingly.</p> <p><u>Late Undertaking of Insurance Policy</u></p> <p>A copy of the insurance policy is to be invariably requested and filed for ease of reference as well as for audit purposes. It is also to be ensured that such policies cover the entire contract period.</p>	<p style="text-align: center;">✓</p>		<p>Recommendation has been noted. The Ministry issued instructions to its staff with a view to avoid similar situations.</p> <p>Recommendation has been noted.</p> <p>An SOP for the monitoring of Bank Guarantees and Insurance Policies has been drawn up.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Lacking Controls hampering the Verification of Invoices</u></p> <p>A) Keeping documentation to substantiate the actual meal orders is of utmost importance.</p> <p>B) SAMOC is to investigate the discrepancies highlighted during the audit and take necessary action with the supplier.</p> <p>C) Delivery notes are to be endorsed only after the details are verified with the actual meals consigned.</p> <p>D) When the delivery notes and invoices are reconciled to the actual orders, such verification is rendered more meaningful.</p> <p><u>Agreement Provisions not applied</u></p> <p>The provisions of the tender document are to be fully observed. Adequate internal controls are to be implemented to ensure an economic and efficient service.</p>	<p>✓</p> <p>✗</p> <p>✓</p>	<p>Management explained that the menu count refers to a document created by the supplier for its own production needs. The total amount invoiced is the amount which should be compared to the meals ordered and actually delivered. The supplier still charges the price for a whole meal irrespective of whether or not a selection of all the dishes is made.</p>	<p>SAMOC are currently in the process of amalgamating existing software with CPAS to capture meals ordering per ward in both MDH and SAMOC.</p> <p>Checks with the amounts ordered will be carried out and relative documents will be kept accordingly.</p> <p>Delivery notes are being endorsed by the ward's nursing staff.</p> <p>Instructions to staff were issued in Circular No. MDH98/2017.</p> <p>Checks and reconciliations will be carried out.</p> <p>Menu will be amended accordingly.</p>	<p>December 2017</p> <p>May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Provision of Staff Meals</i></p> <p>Procurement is to be adequately monitored such that the necessary arrangements to issue new tenders are planned well in advance and to ascertain adherence to standing procurement regulations for transparency and fair competition. Additionally, Management is to ensure that the necessary formal agreements with contractors are drawn up accordingly.</p>	<p>✓</p>	<p>Management had been in discussion with the supplier to reduce the rate charged. In December 2016 DO approval had been granted by MFIN for the provision of staff meals for one year at €3 per meal. However upon first consignment, the Trade Union representative stated that it was not acceptable that the choice had been reduced from 31 to 14 items. Thus, this agreement was renegotiated to €3.65 but including 31 items, even though the agreement had not yet been concluded. It will cover from January 2017 for an approximate period of one year. DO approval for the new rate has been granted.</p>	<p>A new tender was submitted to Contracts Department for publication.</p>	<p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Provision of Internal Security Services</i></p> <p><u>Extensions to Contract hindering Fair Competition</u></p> <p>The limit, be it by period or amount, up to when contracts may be extended, is to be strictly in line with the original call for tender, following which, as per best practice, a fresh call is to be issued. This will enhance transparency and support a fair competition amongst prospective bidders.</p> <p>All procurement is to be made in accordance with the prevailing regulations. Thus, appropriate approvals are to be invariably obtained prior to entering into any commitments.</p> <p>The attention of Management is to be drawn to Article 25 of the Fiscal Responsibility Act which provides for disciplinary action against the responsible officers when procurement is not appropriately authorised.</p>	<p>✓</p>		<p>A new tender was submitted to Contracts Department and is awaiting publication.</p> <p>A request for a negotiated procedure was sought from the Contracts Department for the provision of security services for the year 2017.</p>	<p>September 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Cleaning Services at Sir Paul Boffa Hospital</i></p> <p><u>Lack of Control over Attendance Records</u></p> <p>Management is to conduct adequate control and monitoring over third party contracts. Invoices are to be processed for payment only if the relevant supporting documentation is duly signed as required and confirmed by a responsible officer from SPBH or SAMOC, as applicable.</p>	<p>✓</p>		<p>A tender for the 'Leasing of Attendance and Time Verification Means for Contractual Staff Attendance at MDH and SAMOC' has been published in November 2016. In the meantime, attendance sheets for cleaners are being signed by the cleaners themselves, and endorsed by the respective manager.</p> <p>Checks are being carried out by the Financial Controller.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>Cleaning Services at Mater Dei Hospital and Sir Anthony Mamo Oncology Centre</i></p> <p>The relevant formal agreement is to be duly signed prior to the commencement of services.</p>	<p>✓</p>		<p>A new tender was submitted and is awaiting publication.</p>	<p>September 2017</p>
<p><i>Software System Maintenance Agreement not formally renewed</i></p> <p>In order to enhance controls, it is important to monitor the provisions stipulated in a contract and draw up the relevant agreement for legal backing. Any renewal notices are to be endorsed by both parties.</p>	<p>✓</p>		<p>An extension to the contract for a further period of three years from 7th October 2014 up to 6th October 2017 as per contract terms, is being effected.</p>	<p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Care Worker Services</i></p> <p>Fairness and transparency are to be ascertained throughout the procurement process. Letters of acceptance are to be properly verified to ensure that they are in line with the approval from the relevant authorities.</p> <p>As reiterated, for proper internal control, SAMOC is to ensure that the necessary approval is in place before proceeding with the respective procurement. Subcontracted services are also to be backed up by a formal agreement.</p> <p><u>Performance Guarantee</u></p> <p>The appropriate management of contracts requires monitoring, such that the contractor's attention is drawn and corrective action is taken in the event of non-compliance. Strict adherence to the requirements laid down by DC is recommended; thus, a copy of a valid bank guarantee is to be duly provided and filed accordingly.</p> <p><u>Timesheets</u></p> <p>Management is duty bound to ensure that the interest of Government is safeguarded, especially given that substantial amounts are being disbursed from the taxpayers' money on such services. Thus, any clauses included in the contracts are to be fully observed to avoid undue expenditure.</p>	<p>✓</p>		<p>A tender for the 'Provision of Care Worker Services to Entities falling under the responsibility of the Parliamentary Secretariat for Health, Ministry for Energy and Health' was published in December 2016. The tender is currently in the evaluation process. CPSU has an approval 'in principle' in hand to negotiate a contract for 2017.</p> <p>CPSU is consistently working with GCC to ensure continuity of services through valid contracts. Until new tenders are published and awarded, services are rendered through negotiated procedures.</p> <p>The Director Contracts (MDH) is maintaining a database with details regarding bank guarantees.</p> <p>Bank guarantees are being maintained centrally by the Department of Contracts (MDH).</p> <p>An SOP for the monitoring of Bank Guarantees and Insurance policies has been drawn up.</p> <p>A tender for the 'Lease of Attendance and Time Verification Means for Contractual Staff Attendance at MDH and SAMOC' (DH 1297/16 Ref No. 018-10067/16) has been published.</p> <p>Tender will be awarded.</p> <p>The new system will be put in place.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Change in Staff Lunch Composition not reflected in a Change in Price</i></p> <p>Without prejudice to the method of procurement, in the event of future similar circumstances, one would expect SAMOC to negotiate a lower price in order to ensure that value for money is obtained. Documentation in this respect is to be filed for future reference and audit purposes.</p>	<p>✓</p>		<p>A lower price has been negotiated with the supplier.</p> <p>DO approval was granted by the Direct Orders Section at MFIN for the provision of 24,000 meals at €3.65 including VAT, for a period of one year, starting retrospectively from 1st January 2017.</p> <p>A new tender will be issued.</p>	<p>Implemented</p> <p>Implemented</p> <p>September 2017</p>
<p><i>Entitlement to Staff Meals</i></p> <p>The distribution of meals to staff falling short of the established requirements is considered as unauthorised. Thus, Management is to ascertain that established policies are invariably adhered to in order to prevent discrimination between employees and to avoid antagonism in the working environment.</p>	<p>✓</p>		<p>Management will be ensuring that established regulations and policies are adhered to through the introduction of a new meal card IT system for staff.</p>	<p>May 2017</p>
<p><i>Provision of Internal Security Services</i></p> <p><u>Insufficient Compliance Checking</u></p> <p>Obtaining specific documentation enhances monitoring and control. Thus, it is advisable that the foregoing is requested randomly on a regular basis.</p>	<p>✓</p>		<p>Checks will be carried out on a quarterly basis.</p>	<p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Provision of Information Technology Services</i></p> <p>Contracts are to be formalised, signed and filed for ease of reference, as well as for audit purposes.</p> <p>Furthermore, before effecting payments, the responsible officer is expected to ensure that the respective invoices were duly checked and endorsed accordingly.</p>	<p>✓</p>		<p>Contracts are in the process of being formalised, signed and filed.</p> <p>Invoices are being duly checked and endorsed by the SAMOC Financial Controller.</p>	<p>May 2017</p> <p>Implemented</p>
<p>COMPLIANCE ISSUES</p> <p><i>List of Signatories not provided</i></p> <p>Authorised signatories should be formally documented, as well as approved and filed accordingly for future reference. Additionally, the responsible officer is to make sure that payment vouchers are duly endorsed.</p>	<p>✓</p>		<p>A list of authorised signatories was submitted to Treasury in January 2017.</p> <p>Payment Vouchers are being duly endorsed.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Publication of Awarded Direct Orders and Variation to Tender not confirmed</i></p> <p>Officers in charge are to be fully aware of the relevant regulations and ensure that the required publications in the Government Gazette feature accordingly in a timely manner to enhance transparency.</p>	✓		<p>During 2016, CPSU published the following:</p> <ul style="list-style-type: none"> - Departmental Tenders awarded - A list of variations on contracts - Direct Orders awarded 	Implemented
<p><i>Payments to VAT Registered Service Provider bypassing the Purchases Ledger</i></p> <p>Control over creditors, as well as over the respective VAT payable, is easily lost if purchases transactions bypass the proper ledger. Multi-payments are to be used only for payments that do not include a VAT element. The VAT numbers of all registered suppliers for goods and/or services are to be invariably shown on the payment voucher. This will serve as audit trail to assist the VAT Department in ensuring the collection of the respective indirect tax.</p>	✓		<p>Multi-payments which were effected by SAMOC related to suppliers which are not registered with the VAT Department, since payments were issued on ID Card Numbers. No VAT registered economic operators were paid through multi-payments.</p>	Implemented
<p><i>Non-compliance with VAT Legislation</i></p> <p>Officers in charge are to ensure that they are furnished with a proper fiscal document meeting the criteria set out in the VAT Act for every payment. All receipts are to be kept in the relevant file to support the relevant payments.</p>	✓		<p>Management is ensuring that all payments are supported with the necessary fiscal documentation.</p>	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in Inventory Management</i></p> <p>For effective controls over the tracking and valuation of fixed assets, SAMOC is to maintain an updated inventory database and ensure that the information is accurate and complete. An officer entrusted with the responsibility of inventory management is also expected to perform periodical physical reconciliations. To this effect, Management is to be guided by the Inventory Control Regulations established in MF Circular No. 14/99.</p>	<p>✓</p>		<p>Management is in the process of ensuring compliance with MF Circular No. 14/99.</p>	<p>June 2017</p>

Ministry for the Family and Social Solidarity

Department of Social Security – Invalidity Pensions

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Payment of Invalidity Pension in Excess</i></p> <p>NAO recommends that a periodical review of personal files, especially those pertaining to claimants benefitting from a married rate, is carried out to ensure that any errors are detected as early as possible. Corrective action is to be taken in a timely manner, thus safeguarding the proper use of public funds.</p>	<p>✓</p>		<p>Supervisory checks and written instructions will be introduced.</p> <p>Checklists will be introduced, complemented by adequate training.</p> <p>Furthermore, a policy including the setting of time limits within which corrective action should be taken, will be issued.</p>	<p>May 2017</p> <p>July 2017</p> <p>July 2017</p>
<p><i>Lack of Periodical Re-assessment of Cases</i></p> <p>The Department is to conduct a periodic re-assessment of cases, which is to include those beneficiaries receiving a service pension and IP simultaneously. Moreover, the Department is to recheck in SABS those cases having IP awarded on a permanent basis, to reconfirm their status. In case of errors, immediate corrective measures are to be considered.</p>	<p>✓</p>		<p>Supervisory checks and written instructions will be introduced.</p> <p>Checklists will be introduced, complemented by adequate training.</p> <p>Furthermore, a policy including the setting of time limits within which corrective action should be taken, will be issued.</p>	<p>May 2017</p> <p>July 2017</p> <p>July 2017</p>
<p><i>Recoupment of Arrears following Payments to Beneficiary</i></p> <p>Proper checking is to be carried out prior to issuing IP arrears payments from one Section within DSS, whilst having another Section gradually recouping amounts overpaid. This can be achieved if all sections within DSS liaise with each other.</p>	<p>✓</p>		<p>MFSS issued instructions to all supervisors to be more diligent on authorisation of IP claims and sickness benefit overpayment. Furthermore, NI86 form is being filled in as a checklist.</p>	<p>Implemented</p>

Ministry for the Family and Social Solidarity

Elderly and Community Care Department -
Personal Emoluments

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Inaccuracies in Allowances paid to General Practitioners</i></p> <p>It was satisfactorily noted that ECCD has already fully collaborated with NAO to ensure that the full amount due from the mentioned GPs was duly recalculated.</p> <p>The Department could consider introducing new procedures to ensure that controls over the payment of personal emoluments are in place. Management might use a system of periodical exception reporting, whereby figures such as unusually high or low payments, amongst others, are assessed and investigated. This would ensure that any issues are tackled immediately and that any errors do not spill over a large number of salary payments. By so doing, the Department would be ensuring that any overpayments or underpayments are kept at the minimum amounts possible. A record of these checks should be kept for future reference.</p> <p>Furthermore, it is recommended that ECCD is in possession of the full details of the attendance at SVPR of said GPs. This would ensure that proper checks can be carried out before the amounts due to them, especially in relation to the EDA, are disbursed.</p>	<p>✓</p>		<p>Overpayments are being recouped.</p> <p>The Job Plans Allowance was amended as necessary in the DAKAR system to reflect the Job Plan conducted by General Practitioners.</p> <p>A Principal Officer will be assigned payroll duties.</p> <p>EDA forms are being certified correct.</p>	<p>Implemented</p> <p>Implemented</p> <p>September 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Employee simultaneously working with two Government Departments</i></p> <p>In the eventuality that employees working within Government Departments have another employment, there should be a formal understanding between the two Departments about the employees' conditions of work and salary arrangements.</p> <p>It is also recommended that the Department ensures that the Central Salaries Section is informed of this SA's situation, i.e. that she is working with two different Government Departments, hence practically engaged by the same employer, so that tax issues and Government bonuses are correctly accounted for.</p> <p>Furthermore, ECCD should consider assessing whether the same situation in relation to the payment of Government bonuses recurred during the years 2010 to 2014; being the period during which this employee was employed with both Departments. The possibility of raising a claim for refund should also be considered.</p>	<p>✓</p>		<p>This situation vis-à-vis employment has been rectified.</p> <p>According to records, no employees receiving remuneration from another entity are working on reduced hours.</p> <p>On 2nd March 2017, a circular was issued requesting all employees of AACCD who receive remuneration of any sort from any other government entity are to fill in a declaration in this regard. Details to be included were also indicated.</p> <p>Recommendation has been noted.</p> <p>A refund, based on a calculation dating back to 2014, was recouped.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Erroneous Retardation of Increments</i></p> <p>It is recommended that the amounts underpaid are settled accordingly by ECCD. The Department should also consider the implementation of more controls, especially in areas related to promotions and progressions. This would go a long way in ensuring that errors related to changes in the basic salary computations are limited as much as possible.</p>	<p>✓</p>		<p>Pending dues have been settled.</p> <p>Action has been initiated with P&SD for the required training.</p>	<p>Implemented</p> <p>June 2017</p>
<p>CONTROL ISSUES</p> <p><i>Lunch Breaks not being deducted from Public Holiday Allowances</i></p> <p>It is in the interest of employees that they avail themselves of a rest period whenever their working day exceeds six hours. The Department should consider issuing a circular to all its employees to ensure that they are aware of this entitlement.</p> <p>This would not only ensure that the pertinent provisions are duly followed, but also that any calculations made on the basis of the time recorded on timesheets are accurate and consistent amongst officers.</p>	<p>✓</p>		<p>On 9th February 2017, a Circular was issued to all staff regarding lunch breaks.</p> <p>Action is being taken to identify breaks (as per roster legend) which are to be reflected in the attendance sheets.</p> <p>Break deductions are being effected.</p> <p>Different break deductions reflect different working hours.</p>	<p>Implemented</p> <p>June 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in relation to Timekeeping</i></p> <p>Authorising officers are to be made aware of the fact that whenever they are endorsing timesheets, they are assuming responsibility that every detail is correct. Before overtime is paid, thorough checks are to be carried out to ensure the correctness of payments to employees, as well as to minimise adjustments to subsequent salaries.</p> <p>It is also recommended that ECCD ensures that VL records are duly signed before the VL is availed of, save in 'emergency leave' cases.</p>	<p>✓</p>		<p>Attendance sheets are complete and endorsed by Senior Management.</p> <p>Heads of Homes were given direction during March 2017 to certify correct, date, and rubber-stamp attendance sheets.</p> <p>AACCD issued a new <i>Vacation Leave Application Form</i> template in October 2016. The new template provides for the endorsement of the Human Resources Representative, who is to confirm that the application has been checked and certified compliant in terms of the PSMC.</p>	<p>Implemented</p> <p>May 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>Inadequate Overtime Approvals</i></p> <p>It is highly recommended that overtime approvals are properly obtained in line with PSMC requirements. Furthermore, attention must be given to ensure that, as far as possible, overtime is approved by the appropriate levels before it is carried out, ensuring that proper control is exerted over the claim/request for overtime, number of hours worked and the resulting costs.</p>	<p>✓</p>		<p>Overtime approvals are being obtained in line with PSMC requirements.</p> <p>Heads of Homes were given direction during March 2017 to certify correct, date, and rubber-stamp overtime attendance sheets.</p>	<p>Implemented</p> <p>May 2017</p>

Ministry for Justice, Culture and Local Government

Judicial - Expenditure

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>No Formal Procedure for the Nomination of Court Experts</i></p> <p>Whilst acknowledging that the ultimate prerogative for the selection of Court Experts remains with the respective Members of the Judiciary on a strictly fiduciary basis, CoJ is encouraged to adopt methods, in close collaboration with said Members, to further enhance fairness and transparency.</p> <p>CoJ may consider publishing an expression of interest in the Government Gazette, on an annual basis, whereby professionals and suitably qualified individuals who are interested in giving such service are given the chance to express their interest.</p> <p>Once persons appointed as Court Experts are identified, a register disclosing both the name of the individuals and their area of expertise can then be compiled, regularly updated and made accessible to MJCL.</p>	<p>✓</p>		<p>An expression of interest was issued in January 2017 by the Department of Justice.</p>	<p>Implemented</p>
<p><i>Rates for Court Experts not established</i></p> <p>An official and legislative guidance on tariffs for payments to Court Experts is expected to be established and adhered to, in order to enhance transparency.</p>	<p>✓</p>	<p>Partially Accepted - Management explained that the list could not be exhaustive due to the various variants involved.</p>	<p>A new tariff list was issued on the 10th March 2017. Management is to ensure compliance.</p>	<p>Implemented May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Lack of Segregation of Duties and Insufficient Internal Controls</i></p> <p>In view that internal controls are fundamental to the success of the day-to-day running of CoJ, the latter is encouraged to develop adequate internal control procedures. Lines of responsibility are to be clearly identified and communicated to all employees. A formal system for the authorisation and approval of procurement, certification of invoices and subsequent payments is to be in place. Different levels of the procurement process, including the recording thereof, is to be undertaken by different individuals, where this is possible.</p>	<p>✓</p>		<p>A clerk will be recruited to be assigned duties for this purpose.</p>	<p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Court Experts</i></p> <p><u>Reimbursement of Expenses to Court Experts not duly substantiated</u></p> <p>For the sake of fairness and transparency, reimbursements are to be effected in line with official rates.</p> <p>Furthermore, requests are not to be honoured unless duly substantiated by detailed breakdown of the claimed expense.</p> <p><u>Public Officers serving as Court Experts</u></p> <p>Adequate controls are to be implemented, enabling verifications to be carried out prior to the issuance of payments. Moreover, deduction rates are to be applied in line with PSMC provisions.</p> <p><u>Inconsistencies in Sub-Vouchers compiled by the Deputy Registrar</u></p> <p>Being the main source documentation on which Court Experts are paid, sub-vouchers are to be carefully compiled and are to include all the necessary details and endorsements. No payments are to be effected unless proper certification is carried out.</p>	<p>✓</p>		<p>Discussions will be held between all stakeholders involved.</p> <p>An internal memo was issued on the 10th March 2017.</p> <p>A new tariff list was issued on the 10th March 2017.</p> <p>Management is to ensure compliance with the official rates.</p> <p>Management is to ensure compliance with the new tariff list.</p> <p>Amounts are being deducted as per PSMC provisions.</p> <p>The amount of €82.74 has been recouped.</p> <p>Management is ensuring compliance with the applicable memo.</p>	<p>May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>May 2017</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Transcribers</i></p> <p><u>Limited Verification on Transcriptions</u></p> <p>For the sake of transparency, it is recommended that verifications are carried out on a larger sample, and are not to be limited to the number of words but are also to be extended to the rate being charged. Moreover, CoJ is to ascertain that the data provided for reimbursement purposes is clear, complete and can be relied on.</p> <p><u>Over-reliance on One Transcriber</u></p> <p>To minimise inherent risk, Management is to consider the possibility of reducing the dependency on particular transcribers by distributing the work more evenly and/or consider engaging full-time officer/s to carry out such tasks if it is deemed more economically feasible.</p>	<p>✓</p>		<p>Transcribers have been instructed to complete and submit a new form when submitting transcriptions as per Memo No. 1/2017.</p> <p>Memo No. 1/2017 was issued on 27th February 2017 with the scope of identifying other staff members interested to assume transcription duties.</p> <p>Expected induction of new staff will further increase the transcription pool.</p>	<p>May 2017</p> <p>Implemented</p> <p>August 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Translators and Interpreters</i></p> <p><u>Fee for Translations decided by Deputy Registrars</u></p> <p>It is pertinent that fees related to Court proceedings are official and are not left at the discretion of Deputy Registrars.</p>			<p>A new list of tariffs including 14 languages and another tariff for 'Lingwi Ohra' was issued on the 10th March.</p> <p>Management is to ensure compliance with the new applicable rates.</p> <p>Discussions with CPITA have started.</p>	<p>Implemented</p> <p>May 2017</p> <p>Implemented</p>
<p><u>Appointment of Translators and Interpreters who are not in the Official List</u></p> <p>CoJ is encouraged to issue an expression of interest for interpreters and translators. Once the process is concluded, the current list is to be updated accordingly and any appointments are to be made from such register when the listed individuals are available.</p>	<p>✓</p>		<p>Discussions with CPITA have started.</p> <p>Justice Directorate will be issuing expression of Interest.</p>	<p>Implemented</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Lunches</i></p> <p><u>Insufficient Control in the Procurement of Lunches</u></p> <p>For the sake of transparency, agreed rates are to be documented in a formal agreement, endorsed by both parties. In addition, a reliable recording system is to be maintained, whereby the number of meals provided during each lunch is indicated, so that upon receipt of invoice, the necessary verification could easily be carried out. Any errors noted are to be rectified with the supplier in due time.</p> <p><u>Lunches paid for Individuals other than Jurors, Marshals and Deputy Registrars</u></p> <p>This issue is to be discussed with pertinent authorities and unless consent for such practice is obtained, Management is to refrain from paying for additional lunches.</p>	<p>✓</p>		<p>CoJ is exploring the idea of formalising the procedure with an agreement with the respective restaurants.</p> <p>A form indicating the total number of persons for lunch is being filled in.</p> <p>A formal policy will be established and approvals sought accordingly.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Transport</u></p> <p><u>Parking Fees not formalised</u></p> <p>Transparency in the management of public funds is an integral part of good governance and accountability. Thus, following proper negotiations of the applicable annual rates, CoJ is recommended to draw up an agreement, to be endorsed by both parties.</p> <p><u>Contraventions paid on behalf of Members of the Judiciary not recouped</u></p> <p>In line with pertinent regulations, where no exceptional circumstances justifying the traffic infringements exist, fines imposed are to be paid by the respective officer.</p> <p><u>Insufficient Control on Government-owned Vehicles and Fuel Consumption</u></p> <p>The attention of Management has been drawn to the relative provisions outlined in PSMC to regulate the use of such vehicles and ascertain accountability of the expenditure incurred out of public funds. CoJ is encouraged to use the specimen logbook for all vehicles, as found in PSMC Appendix 8.I, thus ensuring that adequate details of each journey performed is recorded. The same regulations also require that a certificate, as per PSMC Appendix 8.II, is entered on every logbook at the end of each month, confirming that the trips recorded in the logbook were made on official duty.</p> <p><u>Invoices for Chauffeur-driven Services not adequately substantiated</u></p> <p>Officers verifying and endorsing invoices are to be provided with all the information required for such review. They are to be aware that once they certify the correctness of the invoice, they are assuming responsibility for such payment.</p> <p>To enhance control over this expense, Management may consider requesting the service provider to issue a transport voucher for each trip, indicating the destination and the duration of the journey. Members of the Judiciary making use of such service, as well as Deputy Registrars, are to sign these forms which could then be attached with the respective invoices by the service provider.</p>	<p>✓</p>		<p>Discussions with regard to the formalising of the agreement between MCP and OPM have started. Once discussions have been finalised, CoJ will partake of this ensuing agreement.</p> <p>Action is being taken to recoup the still pending amounts from one Member of the Judiciary.</p> <p>On 22nd February 2017, instructions were issued to include monthly certification and record the fuel issues on the respective logbooks, as from end of February 2017.</p> <p>Management is ensuring that all fuel purchased is recorded on logbooks.</p> <p>MJCL will ensure that logbooks comply with Appendix II of the Travel Manual regarding monthly certification.</p> <p>Contractor was instructed to complete transport vouchers.</p> <p>Management is to ensure that the contractor complies with the instructions provided.</p>	<p>September 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Attendance Records</i></p> <p><u>Absence of Attendance Verification System</u></p> <p>Besides being an effective means of capturing employee attendances, the use of electronic reading devices simplifies payroll calculations. In this regard, CoJ is encouraged to take action for such system to be installed without unnecessary delay.</p>	<p style="text-align: center;">*</p>	<p>Recommendation has been noted. An assessment is being carried out on the viability and feasibility of implementing such a system particularly in view of industrial relations.</p>	<p>Attendance sheets of cleaners are being endorsed as required as per PSMC regulations.</p> <p>Attendance sheets of Security Guards are being endorsed.</p> <p>Signatures are being accompanied by full name, designation and date.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p><u>Attendance Records not verified on a Regular Basis</u></p> <p>In line with section 3.1.2.1 of the PSMC, "attendance registers are to be inspected and certified correct at the start of each week by Directors or senior officers authorised by them, who are to see that the previous week's record of attendance is complete in every detail, and all employees are accounted for". Once such checks are carried out, the attendance records are to be endorsed, clearly indicating the date, as well as the name and the grade of the officer performing the respective verifications.</p>	<p style="text-align: center;">✓</p>		<p>Shortcomings in the Manual Attendance Sheets noted during an On-the-Spot inspection</p> <p>CoJ is expected to check that the attendance sheets are signed on a timely basis in the presence of its personnel and kept by appropriate staff. Furthermore, NAO reiterates the importance of an electronic device to record staff attendance, in order to mitigate the inherent risk of a manual system.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Medical Services</i></p> <p><u>Shortcomings encountered in the Provision of Medical Services</u></p> <p>Management is to ascertain that employees' personal details are accurate. Moreover, a formal complaint is to be raised by the officer in charge, and forwarded to Management for any action deemed necessary, indicating the number of requested visits that were not performed by the service provider.</p>	<p>✓</p>		<p>Complaints are being lodged as necessary.</p> <p>Contractors are being provided with the telephone/mobile numbers of employees, in order to facilitate the location of their home address.</p> <p>Management will ensure that employees' personal details are accurate.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Security Services</i></p> <p><u>Retrospective Agreements</u></p> <p>Agreements are to be in place and signed by both parties before the contract commences. These are to show the hourly rates payable under the full contract period, so that invoices can be easily corroborated by third parties.</p> <p><u>Officers paid at Overtime Rates for Work carried out during Core Hours</u></p> <p>Contractual obligations are to be honoured, thus the rates stipulated in the respective contract are to be applied.</p>	<p>✓</p>		<p>Current contract endorsed prior to the expiry of the previous addendum.</p> <p>The contractor was informed that the rate payable per hour for services rendered is a single rate as stipulated in the contract agreement.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>CONT. Others</i></p> <p><u>Police Conduct and Private Guard Licences not provided</u></p> <p>Such records are to be requested and obtained in line with the respective tender. It is also to be ascertained that valid licences cover the whole duration of the contract.</p>			<p>CoJ is filing the police conduct and the private guard license of the security guards employed with the contractor.</p> <p>Records will be maintained in respect of the security officers employed with CoJ.</p> <p>It will be ensured that all security guards/officers carrying out duties at MJCL, including relievers, have a valid private guard licence at all times.</p>	<p>Implemented</p> <p>May 2017</p> <p>May 2017</p>
<p><i>Non-compliance with VAT Legislation</i></p> <p>CoJ is to ascertain that all suppliers or service providers, who have received payments in part or in full for goods and services provided, adhere to the VAT regulations by furnishing the former with a fiscal receipt. Moreover, the VAT defaulters lists are to be compiled on a timely basis and submitted to the VAT Department within the stipulated timeframes.</p>	<p>✓</p>		<p>CoJ are currently finalising a return for the period July to December 2016.</p>	<p>May 2017</p>
<p><i>Lack of Audit Trail for Income Tax and VAT purposes</i></p> <p>It should be in the interest of CoJ to request a receipt from all service providers in order to be aware of what the latter is being paid for.</p> <p>Furthermore, in line with pertinent regulations, subsequent to payment CoJ is invariably to ask for a fiscal receipt from all VAT registered service providers.</p>	<p>✓</p>		<p>Direction has been sought from the Ministry for Finance and CoJ will follow this direction.</p> <p>Defaulters are being included in the VAT Defaulter's list.</p>	<p>May 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Postings to Inappropriate Accounts</i></p> <p>More diligence is to be exercised when allocating expenses so that amounts are correctly reported under the pertinent line item/s, as required by Article 52(1) of the General Financial Regulations.</p>	<p>✓</p>		<p>Transactions are being correctly posted.</p>	<p>Implemented</p>
<p><i>Delegations of Authority not evidenced</i></p> <p>Official delegation of authority is to be given from the respective Minister.</p>	<p>✗</p>	<p>It is not within CoJ's remit to keep a copy of said delegation of authority to Permanent Secretary. CoJ has sought and obtained all the necessary approvals needed.</p>		
<p><i>Police Conduct not requested prior to appointment as Court Experts</i></p> <p>Presentations provided by Court Experts are considered as key witnesses on how legal cases are ultimately decided by the Court. Therefore, the integrity, honesty and good conduct of such individuals is of utmost importance and is to be incessantly ensured. Thus, as already emphasised in the Report drawn up in 2013 by the Commission for the Holistic Reform of Justice System, CoJ is recommended to request a copy of the police conduct prior to the appointment of a Court Expert.</p>	<p>✓</p>		<p>Recommendation has been noted and will be communicated to those responsible for appointing Court Experts for the necessary immediate action.</p>	<p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Permanent Secretary's Approval to act as Court Experts not requested</i></p> <p>Approval from the right level of authority is to be sought by public officers, before they act as Court Experts. Furthermore, payments to the respective public officers are not to be honoured unless procedures and regulations are fully adhered to.</p>	✓		<p>The template provided in the PSMC will be used. Furthermore, original approvals are to be provided to MJCL.</p> <p>Moreover, pertinent instructions were given to the paying officer.</p>	<p>May 2017</p> <p>Implemented</p>
<p><i>Incongruous Payments effected to Service Provider</i></p> <p>Strict compliance with agreed terms is recommended. If it is eventually established that damages incurred were due to misuse of the vehicle, these are to be borne by the user of the vehicle.</p>	✓		<p>Recommendation has been noted. The independent opinion of a Vehicle Surveyor will be sought should a similar situation arises in the future.</p> <p>The terms included in the agreement will be adhered to.</p>	<p>May 2017</p>
<p><i>Delays by the Tender Evaluation Committees</i></p> <p>As also outlined in the Standard Operating Procedures/ Guidelines for Tender Evaluation Committees, the evaluation process by the Adjudication Board is to be carried out within six weeks from the closing date of the call for tenders.</p>	✓		<p>Every effort will be made in order that evaluation reports are submitted invariably within stipulated timeframes.</p>	<p>May 2017</p>

Ministry for Tourism

Institute of Tourism Studies – Personal Emoluments

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Inadequate Handover and Lack of Internal Controls</i></p> <p>Strong internal controls are essential in assisting ITS to mitigate financial risks and achieve its objectives to manage public funds entrusted to it effectively. Moreover, Management is encouraged to reengineer the present processes so as to avoid inadequate past practices.</p>	<p>✓</p>		<p>The situation with respect to allowances is being rectified.</p> <p>Organisation chart has been updated.</p> <p>Except for the PQVB allowance, the situation with respect to allowances is being rectified.</p>	<p>September 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Hours expected to be performed by Part-time Employees not specified in the Contract</i></p> <p><u>Limitation on Scope of Audit</u></p> <p>Management is to ensure that contracts of employment clearly indicate the number of hours expected to be performed so that employees know the exact terms governing their employment.</p>	<p>✓</p>		<p>Contracts of employment include the hours of work that are to be performed.</p> <p>Part-time employees' records have been amended to include pro-rata entitlements.</p> <p>Management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Recording and Verification of Attendance</i></p> <p><u>Absence of Attendance Verification System</u></p> <p>NAO encourages Management to acquire an electronic AVS to be used by all employees at ITS without unnecessary delay. Besides being an effective means of duly recording employee attendances, the use of electronic reading devices simplifies payroll calculations.</p> <p><u>Attendance Sheets not endorsed as Certified Correct</u></p> <p>The provisions of PSMC section 3.1.2 are to be invariably adhered to in order to strengthen controls over employee attendance and ensure the correctness and completeness of the registers in question.</p> <p><u>Lack of Control over Attendance Records and related Payments</u></p> <p>Pending the introduction of an electronic AVS, adequate controls are to be in place in order to address the shortcomings noted in attendance records. Reconciliations are also to be performed with the hours claimed in the invoices forwarded for payment by the service providers.</p>	<p style="text-align: center;">✘</p> <p style="text-align: center;">✓</p>	<p>Recommendation has been noted. An assessment is being carried out on the viability and feasibility of implementing such a system particularly in view of industrial relations. If the introduction of AVSs is included in the Collective Agreement currently being negotiated, the system will be installed.</p>	<p>ITS are currently reviewing the process. In this regard, an SOP to strengthen controls in all areas of attendance will be issued.</p> <p>ITS are currently reviewing the process. In this regard, an SOP to strengthen controls in all areas of attendance will be issued.</p>	<p style="text-align: center;">June 2017</p> <p style="text-align: center;">June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Lecturers' Additional Contact Hours and Overtime</i></p> <p><u>Incorrect Payment of Additional Contact Hours</u></p> <p>A review of overtime paid is recommended in order to ensure that correct payments are made.</p> <p><u>Lack of Attendance Sheets supporting Claims for Overtime Payment</u></p> <p>In line with PSMC section 3.2.1(c), overtime claimed is to be accompanied by a certified extract of the attendance records. Such claims are to be thoroughly checked against the respective attendance sheets by the officer in charge of salaries, before payment is processed.</p>	<p>✓</p>		<p>ITS are currently reviewing the process. In this regard, an SOP to strengthen controls in all areas of attendance will be issued.</p> <p>ITS are currently reviewing the process. In this regard, an SOP to strengthen controls in all areas of attendance will be issued.</p>	<p>June 2017</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>Allowances</u></p> <p><u>Allowances paid to Public Officers performing Security Duties not validated</u></p> <p>ITS is to regularise its position prior to continuing with the payments of these allowances. The necessary approvals are to be obtained and any discrepancies in the amounts already paid are to be rectified.</p> <p><u>Increase in Program Quality Validation Board Remuneration not substantiated</u></p> <p>ITS Management needs to ensure that it is in possession of all official documentation related to the payment of allowances, especially those indicating the authorisation, as well as the amount to be paid.</p> <p><u>Coordinators' Allowance not covered by Collective Agreement</u></p> <p>If the allowance in question is considered justified, a formal policy regulating its entitlement has to be in place. Thus, Management is to obtain the necessary authorisation from the People & Standards Division within the Office of the Prime Minister, as per PSMC section 2.4.1.3 and, if such allowance is approved, a provision in future collective agreements is to be included, clearly stipulating its eligibility.</p> <p><u>Overpayment of Mobile Allowance</u></p> <p>Internal controls are to be strengthened in order to avoid unnecessary disbursement of taxpayers' money. Furthermore, ITS is to recoup the related payments from the individual concerned.</p>	<p>✓</p>		<p>The two watchmen are no longer receiving the allowance.</p> <p>An extract taken during a meeting of the Board of Governors held on 27th March 2017 as evidence that the meeting was informed that all PQVB Members are entitled to a remuneration of €1,165 per academic year was provided.</p> <p>An extract taken during a meeting of the Board of Governors held on 27th March 2017 as evidence that the meeting was informed that all Subject Coordinators are entitled to a remuneration of €1,165 per academic year was provided.</p> <p>The ex-Executive Director has reimbursed the amount due.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Leave Records</i></p> <p>Insufficient Control over Vacation and Sick Leave</p> <p>In order to reduce administrative paper work, as well as ensure that records are automatically updated, ITS should consider introducing a system whereby leave is applied for and approved electronically. Furthermore, regular reconciliations between attendance reports and vacation leave records are to be performed by the officer in charge, to ensure that the respective records are updated accordingly.</p>	<p>✓</p>		<p>ITS are currently reviewing the process. In this regard, an SOP to strengthen controls in all areas of attendance will be issued.</p> <p>Leave application forms are pre-numbered.</p> <p>Sick/Leave Records are being kept with respect to part-timers.</p>	<p>June 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUES</p> <p><i>Individuals rendering service to the Institute</i></p> <p>Transactions are to be appropriately posted in the respective accounts, ensuring consistency, as also required in terms of the regulations.</p> <p>Management is also to abide with OPM Circular No. 20/2006, whereby it is stated that "... contracts for service are to be treated at Ministry level in accordance with current financial regulations, that is, the Budgetary Operations Division within the Ministry of Finance ...".</p> <p>Furthermore, as per standing regulations, such services are to be provided following a departmental call for tenders or after publishing a call for quotations in the Government Gazette if the respective amounts exceed the applicable thresholds.</p> <p><i>Part-timers not paid their Entitlements stipulated by Law</i></p> <p>Management is to ensure that it is in compliance with relevant legislation.</p>	<p>✓</p> <p>✓</p>		<p>Transactions are being appropriately posted.</p> <p>ITS provided relevant documents with respect to Calls for the position of Security Officers, Cleaners and Messenger/Driver.</p> <p>A call for applications will be issued to limit the need for contract for service.</p> <p>Part-time employees are paid pro-rata bonus and benefits as stipulated by law, as from payroll 3 (2017).</p> <p>Sick/Leave Records are kept with respect to part-timers.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2017</p> <p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>No Break Deductions</i></p> <p>Employment regulations are to be invariably adhered to. Thus, ITS is to ensure that the break period is deducted from the respective payments, as applicable.</p>	<p>✓</p>		<p>Individuals are now engaged on an indefinite contract.</p> <p>Break is now included in the respective contracts.</p>	<p>Implemented</p> <p>Implemented</p>
<p><i>The Use of Mobile Phone at Government expense not approved by the Permanent Secretary</i></p> <p>Approval from the right level of authority is to be sought in such instances. The respective payments are not to be honoured if this benefit is not duly authorised.</p>	<p>✓</p>		<p>Permanent Secretary approval was provided with respect to employees who are not on a contract basis.</p>	<p>Implemented</p>
<p><i>Bi-annual Return not prepared</i></p> <p>Management is to ensure that all allowances are reviewed regularly in order to ascertain whether the conditions under which they were granted are still valid. The relevant information is to be collated and the return submitted on a regular and timely basis.</p>	<p>✓</p>		<p>Bi-annual returns are now being prepared.</p>	<p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>List of Signatories not provided</i></p> <p>The lists of authorised signatories are to be compiled and updated in line with the relevant circulars and General Financial Regulations.</p>	✓		Lists A and B were filled in, endorsed and sent to the Treasury Department (Verifications Unit).	Implemented
<p><i>Qualification Allowance not paid in line with the Collective Agreement</i></p> <p>Adherence with the collective agreement for academic staff, as well as compliance with the respective provisions of the PSMC, is recommended. The attention of Management is also being drawn to the recognition criteria by Malta Qualifications Recognition Information Centre.</p>	✓		PhD Qualification Allowance is being paid in line with the Collective Agreement.	Implemented

Other Reports

Malta Police General Fund

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>KEY ISSUES</p> <p><i>Financial Sustainability of the Malta Police General Fund</i></p> <p>A thorough exercise, to establish the contribution to be paid and to identify any unnecessary expenses, is recommended. Related expenditure is also to be controlled through strict budgetary measures, taking immediate action in case of deviations.</p>	<p>✓</p>		<p>Way forward will be discussed during the 'ad hoc' committee appointed for the administration of the Police General Fund.</p>	<p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Lack of Internal Controls</i></p> <p>CoP is urgently expected to review and strengthen the internal control systems in order to ensure sound financial management. Such controls are fundamental to the successful operation and day-to-day running of the Fund. To this effect, Management is to develop its own procedures having regard to its specific circumstances and characteristics. Ideally, controls are to be embedded in the operations and form part of the overall culture, be capable of responding quickly to evolving risks, and include procedures for reporting immediately to appropriate levels any identified weaknesses and significant control failures. This would ensure timely corrective action.</p> <p>Notwithstanding the above, sound internal controls cannot eliminate the possibility of processes being deliberately circumvented by the collusion of employees or poor judgement in decision-making. Thus, staff and operations should be duly supervised by competent officers who understand the processes and procedures that are in place, and who are ready to query as necessary, and take the required action to address any shortcomings in a timely manner.</p>	<p>✓</p>		<p>Accounting records are being kept.</p> <p>Staff has been allocated to ensure adequate segregation of duties.</p> <p>Lack of audit trail of cash and cheques still prevails. Way forward will be discussed during the 'ad hoc' committee appointed for the administration of the Police General Fund. Meanwhile, a Circular will be issued for the deduction of the contribution from the salary.</p> <p>The officer in charge of the contribution collections started using new sequentially numbered receipt books to record income from pensioners.</p> <p>An Accounting Officer was assigned the task of preparing current and future financial records.</p> <p>The Accounting Officer is in the process of closing the Financial records for 2016, which will be submitted accordingly.</p> <p>Way forward regarding expenses which could be covered by the Fund will be discussed during the 'ad hoc' committee appointed for the administration of the Police General Fund.</p> <p>Cancelled receipts are being supported by the originals.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2017</p> <p>Implemented</p> <p>Implemented</p> <p>May 2017</p> <p>June 2017</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Unclear Purpose of the Fund</i></p> <p>MPF is expected to prioritise expenditure, leaving aside enough funds to cover committed disbursements. After consultation with the trade unions representing the members of the Force, a circular to this effect can be drawn up, highlighting the nature of expense that is to rank before hospitality.</p>	<p>✓</p>		<p>Issues will be addressed by the committee appointed for the administration of the Police General Fund.</p> <p>A Circular outlining the nature of expense that is to rank before hospitality will be drawn up.</p> <p>Furthermore, budgets will also be drawn up.</p>	<p>June 2017</p> <p>June 2017</p> <p>June 2017</p>
<p><i>Amounts Payable from the Fund not duly approved</i></p> <p>It is recommended that an official policy is drawn up, indicating what may be charged to the MPGF, as well as the respective amounts.</p>	<p>✓</p>		<p>GHQ Circular No. 5/17 was circulated in February 2017, making reference to GHQ Circular No. 57/81. Circular No. 5/17 relates to the gratuity made by the Commissioner to the heirs of deceased members of the Force (both serving and non-serving).</p> <p>GHQ Circular No. 35/2015 supports the amount of €6.99 paid to each member of the Force for the organisation of Christmas parties.</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Completeness of Income Receivable not ensured</i></p> <p>Another policy should highlight the nature, frequency and amounts receivable, enabling independent parties to carry out verifications intended to ascertain completeness of income.</p>	<p>✓</p>		<p>A Circular will be drawn up and circulated amongst all concerned.</p>	<p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Revenue Collection Process</i></p> <p><u>A. Lack of Segregation of Duties</u></p> <p>Segregation of duties constitutes a critical component of an effective internal control system. The main idea is that of maintaining checks and balances by preventing any one person from having access to the asset, as well as having the responsibility for maintaining its accountability. It is thus recommended that key tasks, particularly those relating to the receipt of cash, custody, record keeping and reconciliations, are assigned to different individuals.</p> <p>In view of the above, NAO recommends that, as far as possible, more staff is involved in the revenue collection process. Another officer should thus keep independent records of such revenue. On a daily basis, all income together with the respective receipts is to be forwarded to the latter who shall record it in a cashbook. Once cash is remitted to the Accounting Officer, he shall also record the money received in a separate cashbook. Ideally, the money is handed over to a different officer who shall prepare the bank deposit slip and remit the amount to bank. The Accounting Officer shall then carry out regular bank reconciliations to ensure completeness. It is also recommended that such key tasks are covered by Standard Operating Procedures, clearly highlighting the established course of action and roles of the respective officers.</p>	<p>✓</p>		<p>New receipt books have been distributed to police stations.</p> <p>The new receipt books will be used by all police stations and by the officer in charge of the contribution collection, starting from next collection due.</p> <p>Staff will be allocated to ensure adequate segregation of duties.</p> <p>Monitoring and supervision of the entire process will also be tackled.</p>	<p>Implemented</p> <p>June 2017</p> <p>December 2017</p> <p>December 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>B. Lack of Basic Accounting Records</u></p> <p>NAO reiterates the importance of keeping proper books of account at each point where money is received, including the use of a cashbook. It can be maintained in either manual or electronic format. However, in order to be effective, besides the amount, the cashbook must contain at least the date and nature of transaction. Ideally, it is also to include a reference to underlying documents such as receipts, as well as a signature of the officer recording the transaction.</p> <p>In the case of the officer in charge of contributions, such record will only include the income received on specific days, the source and the amount forwarded to the Accounting Officer. To ensure an adequate audit trail, receipt numbers are to be indicated. A separate entry should also be made when the monies are forwarded to the Accounting Officer.</p> <p>The cashbook of the Accounting Officer is expected to include any income received and payments issued from the account, as well as relevant details and bank deposits. This record shall then be reconciled to the bank statement on a regular basis and a bank reconciliation statement drawn up.</p>	<p style="text-align: center;">✓</p>		<p>Cash book is being maintained in electronic format by the Accounting Officer.</p> <p>Proper books of accounts will be maintained at the first point of collection. In this regard, the committee will also be reviewing the record keeping structure.</p> <p>Records kept by the officer in charge of the contribution collection will provide an adequate audit trail.</p>	<p>Implemented</p> <p>December 2017</p> <p>December 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>C. Discrepancies in Records</u></p> <p>MPF is encouraged to implement the recommendations provided under the previous observations as soon as possible. Furthermore, it is important that someone with a basic accounting knowledge oversees their implementation and explain the importance of such changes while ensuring that they are embraced by all.</p> <p><u>D. Weakness in the Pensioners' Contribution Collection Process</u></p> <p>An urgent overhaul of the current system is recommended. A standard application form can be drawn up to be filled by non-serving members interested in paying the contribution and recorded accordingly in a spreadsheet, where payments and their respective dates are to be indicated. Details shall be verified on a regular basis with records obtained from the HR Section. Furthermore, the use of pre-printed, sequentially numbered receipts is recommended. It would also be ideal if both the paying and the receiving officer endorse the receipts. All transactions are to be recorded in a cashbook, clearly showing income received and bank deposits.</p> <p><u>E. Serving Members' Contributions</u></p> <p>As already indicated, both Head Office and the individual sections are to use pre-printed general receipts which are individually numbered. It is also recommended that all payments received at a specific section, with receipts issued there from, are remitted accordingly. A reconciliation exercise is to be carried out on a regular basis to ensure completeness. If need be, separate records may be kept to show the employees allocated to their specific units, and whether contribution has been paid or not.</p>	<p>✓</p>		<p>An officer will be recruited to perform accounting duties, who will ensure the implementation of, and adherence to the NAO recommendations.</p> <p>Bank reconciliations will be carried out by the Accounting Officer.</p> <p>Receipts issued by the officer in charge contribution will be done sequentially. This will be carried out after the recruitment of a clerk.</p> <p>The recording system will start being based on the receipt numbers when the new clerk is recruited.</p>	<p>September 2017</p> <p>June 2017</p> <p>June 2017</p> <p>September 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><u>F. Handing over of Cash not substantiated</u></p> <p>The handing over of money is to be accompanied by a record showing a detailed breakdown of the amounts in question. Surprise checks are also to be carried out on the receipts maintained by the officer in charge of the contributions to ensure accuracy of records and amounts submitted to the Accounting Officer.</p>			<p>Records showing a detailed breakdown of the amounts will start being done when the new clerk is recruited.</p> <p>In February 2017, verbal instructions were given to a Superintendent to carry out surprise inspections.</p> <p>Receipts are being issued by the accounting officer to the officer in charge of the contribution collection.</p>	<p>September 2017</p> <p>Implemented</p> <p>Implemented</p>
<p><u>G. Discrepancies between Monies Collected and Bank Deposits</u></p> <p>Records are to be maintained in a way that enable reconciliation between the different sets of documents. It is recommended that the receipt number is used as a unique reference. This would provide a full audit trail from the collection of cash to its eventual deposit in bank. The cashbook shall also clearly indicate the receipt numbers supporting both the income received and the deposits effected.</p>	<p>✓</p>		<p>Reconciliations are being carried out between deposits and bank statements.</p> <p>Moreover, reconciliations will be performed between actual collections and bank deposits.</p>	<p>Implemented</p> <p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Contributions paid in Cash</i></p> <p>Management is encouraged to consider collecting the contribution through bank transfers simply by deducting the necessary amounts from the respective salaries. In addition to ensuring that all the monies are collected as they fall due, this will reduce significantly the workload of the officer in charge of contributions, since most of the tasks identified previously will be eliminated, while mitigating the risk of errors and abuse that very often is associated with cash.</p>	<p>✓</p>		<p>The committee appointed for the administration of the Police General Fund will be discussing this issue.</p>	<p>June 2017</p>
<p><i>Inaccurate Balance of Funds at Year-end</i></p> <p>In order to have accurate and reliable information, enabling efficient and effective decision-making, it is recommended that funds that do not relate to the MPGF are remitted directly into the respective accounts.</p>	<p>✓</p>		<p>Options are being evaluated by the Management.</p>	<p>June 2017</p>
<p><i>Insufficient Control over Income for Mutual Help</i></p> <p>Money intended for specific purposes is to be kept in separate accounts, ideally managed by different officers. Hence, more control will be exercised over the said funds, reducing the possibility that they are used for reasons other than those intended. Furthermore, this will also result in more accurate, reliable and up-to-date information, translating into effective and efficient decision-making.</p>	<p>✓</p>		<p>Options are being evaluated by the Management.</p>	<p>June 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Incorrect Payments and Other Administrative Shortcomings</i></p> <p>Payments are to be computed on the basis of reliable and updated information, providing adequate audit trail to enable independent verification.</p>	✓		Payments are only being effected on updated and reliable information and after seeking approval.	Implemented
<p><i>Misleading Accounting Information</i></p> <p>It is recommended that financial records are drawn up in line with International Accounting Standards. Expenditure shall be accounted for in full, reporting one end figure of surplus or deficit. Ideally, a Statement of Financial Position, wherein all assets and liabilities, including prepayments, accruals, receivables and payables amongst others, shall accompany such financial records.</p>	✓		The committee appointed for the administration of the Police General Fund will discuss the feasibility or otherwise of the recommendation.	June 2017
<p><i>Christmas and Police Day Social Activities</i></p> <p>It is recommended that expenditure incurred during such activities should be invariably contained within the limits of available financial resources.</p> <p>As regards ORC, it is recommended that a thorough review of the items provided and respective prices is carried out, ideally after obtaining quotations from other commercial entities in order to ensure that the prices being charged are fair and reasonable. Orders are also to be placed in writing, enabling reconciliation of the invoice at a later stage. It is also recommended that thorough checks are carried out prior to effecting payment.</p>	✓		Budgets will start being compiled and expenditure will be contained within the budgeted limits.	June 2017

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>COMPLIANCE ISSUE</p> <p><i>Financial Records not submitted to NAO for Auditing Purposes</i></p> <p>The provisions of the law are to be complied with and records are expected to be submitted to NAO in a timely manner. Such a review is also to be considered as an exercise aimed at identifying areas for improvement. Actions to implement the recommendations provided in this Report are to be taken, thus ensuring that best practices are incorporated in day-to-day operations.</p>	<p>✓</p>		<p>An Accounting Officer was assigned the task of preparing current and future financial records.</p> <p>The Accounting Officer is in the process of closing the Financial records for 2016.</p>	<p>Implemented</p> <p>May 2017</p>

Other Reports

Co-operatives Board – Audit for Financial Year 2015

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p>CONTROL ISSUES</p> <p><i>Incorrect Accounting Treatment of Compensation due to a Former Employee</i></p> <p>In order to comply with the respective provisions of the International Financial Reporting Standards Conceptual Framework, the Co-operatives Board is to adjust the Financial Statements to reflect the actual amount payable to its former employee, as well as the total compensation due.</p>	<p>✓</p>		<p>The Financial Statements were adjusted to reflect the actual amount payable to its former employee.</p>	<p>Implemented</p>
<p><i>Insufficient Documentation supporting Honoraria paid</i></p> <p>The Co-operatives Board is to ascertain that it is in possession of official documentation confirming the total honorarium payable to each Board Member, including the Secretary to the Board, to ensure that the correct amounts are being paid.</p>	<p>✓</p>		<p>MEIB has sought guidance from Cabinet Office.</p> <p>MEIB will take action once direction is received from Cabinet Office, given the recently issued Classification and Remuneration Structure for Government Appointed Boards and Committees.</p>	<p>Implemented</p> <p>May 2017</p>

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
<p><i>Shortcomings in the Engagement of a Financial Accounts Service Provider</i></p> <p>The Board is to ensure that any contracts with service providers are approved and signed before the engagement actually commences, thus ascertaining that all the applicable terms and conditions have been appropriately agreed beforehand.</p>	<p>✓</p>		<p>Service providers are being approved and contracts signed prior to the actual commencement of the service.</p>	<p>Implemented</p>

