



GOVERNANCE **ACTION**

on the Annual Report by NAO
on Public Accounts 2017
and other NAO reports 2018



OFFICE OF THE PRINCIPAL PERMANENT SECRETARY
OFFICE OF THE PRIME MINISTER

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All Governments strive for excellence in public service delivery and set in motion various initiatives and innovations to achieve this goal, this end state. All the actions taken assume that there is always scope for improvement, mainly because what constitutes this end state is debatable and subject to changing views, controversy and disagreements between the different stakeholders involved in public service delivery. The realisation of such a discord does not mean that a diffusely reached consensus on improvement and excellence is impossible but rather that any claim that this is some absolute, objective and time-invariant state is a fallacy. Continuous improvement through innovation, analysis, and evaluation are the pathway to excellence.

In our quest for excellence we have taken measures to ensure that accountability and transparency remain the underpinning pillars of the Public Administration. That is why we are once again presenting this Governance publication. It is an account of the follow-up actions undertaken by the Public Administration on the Report by the Auditor General – Public Accounts 2017. This time round as I announced last year at the launch of the Governance Report, a follow-up on the Performance Audits, Investigations and IT Audit that the NAO issued in 2018 was also undertaken. An account of this follow-up, another first for the Public Administration, is included in the second part of this report.

For the fourth consecutive year, the Internal Audit and Investigations Department (IAID) was 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 in June 2018. The verification exercise was also carried out on the corrective actions presented by the respective Permanent Secretaries further to the recommendations put forward by the National Audit Office (NAO) in their Annual Audit Report - Public Accounts 2017 issued in December 2018.

Based on this exercise, IAID had 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 whether these address the actions included in the Governance Report and the recommendations put forward by NAO in the Annual Audit Report issued in 2018. A similar procedure was adopted for the Performance Audits, Investigations and IT Audit that the NAO issued in 2018.

Following feedback received from IAID, a series of exit meetings were held between the Office of the Permanent Secretary (Strategy and Implementation) within the Office of the Prime Minister, IAID and representatives from each auditee together with the respective Permanent Secretary. The objectives of these meetings were to discuss the outcome of the IAID review, highlight clearly areas of concern, and provide further guidance to auditees. Ultimately, this exercise will contribute towards the implementation of agreed actions to address the issues and risks identified by NAO without undue delay. It will also enhance the capacity of government departments and entities to take remedial action promptly in the future. The exercise on the Report on the Public Accounts 2017 was essentially concluded in April 2019. However, following the exit meetings, IAID carried out further checks

to confirm or otherwise additional actions that Management committed to take immediately, case in point being works on the new location for the surgical material store at Mount Carmel Hospital and the continuous efforts to enhance stock control in wards, thus signifying the commitment towards staff and patients' wellbeing, apart from compliance with established regulations.

During the course of this exercise, a meeting was also held between Management, NAO and IAID in order to discuss a particular area related to accrual accounting. During this trilateral meeting the present scenario in the implementation of accrual accounting was discussed and an agreement was reached for this to be taken into consideration accordingly. This signifies the strong cooperation and mutual understanding that exist between the different stakeholders and builds upon the invaluable contribution being made by Senior NAO officials to support good governance through having an observer status on a number of ad hoc Working Groups. One such Board is that overseeing the implementation of the accrual accounting software solution across Government Departments.

As already expressed last year, we welcome public scrutiny and hence appreciate that the NAO are carrying out follow-ups on reports that have already been covered in previous Governance publications issued by this Office. This supports our drive to ensure that Management's corrective actions do not stop with this publication. In fact, it is expected that Management provides ongoing commitment to secure the continuous implementation of the agreed actions, and to ensure adherence to the applicable regulations and circulars.

This is necessary for sustainability in the medium to long term, despite situations that inadvertently recur, such as staff mobility resulting in a loss of expertise.

It was noted that a number of recommendations included in the 2017 NAO report are addressing the entire system in general rather than a specific shortcoming. This makes it more difficult to take only one action that specifically targets the recommendation. Hence, in this year's Governance Publication, the number of actions is higher than the number of recommendations. The status of certain actions is being presented as Ongoing to ensure that Management's attention is constantly given to such recommendations and agreed actions even after the conclusion of the present follow-up exercise. This is being emphasised notwithstanding the need to continue to ensure that the set operational targets and key performance indicators are met. As in previous years there were also instances when Management did not accept a recommendation by the NAO, in which case cogent reasons are presented.

The NAO Report on the Public Accounts for 2017 made a total of 192 recommendations. The Public Administration identified 332 actions to address these recommendations. By May 2019 the implementation rate was 78%. This surely augers well for the continued strengthening of accountability and transparency on our path towards a service of excellence.

MARIO CUTAJAR
Principal Permanent Secretary

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LIST OF ABBREVIATIONS

AACCD	Active Aging and Community Care Directorate
ACM	Arts Council Malta
AFM	Armed Forces of Malta
BD	Biological Diversity
BOV	Bank of Valletta
CBM	Central Bank of Malta
CDB	Central Database
CEO	Chief Executive Officer
CFR	Commissioner for Revenue
CIO	Chief Information Officer
CPAS	Clinical Patient Administration System
CPD	Civil Protection Department
CPSU	Central Procurement and Supplies Unit
CSD	Customer Service Directorate
DAS	Departmental Accounting System
DCS	Director Corporate Services
DFA	Department of Fisheries and Aquaculture
DOC	Department of Contracts
DSS	Department of Social Security
EU	European Union
EDF	European Development Fund
EoIC	Expression of Interest and Capability
ERA	Environment and Resources Authority
FAR	Fixed Asset Register
FMS	Foundation for Medical Services
FSWS	Foundation for Social Welfare Services
FTF	Funds Transfer Form
GCC	Government Contracts Committee
GPD	Government Property Division
GPG	Government Payment Gateway
HOS	Home Ownership Scheme
HR	Human Resources
HRIMS	Human Resources Information Management System
IAID	Internal Audit and Investigations Department
ICT	Information and Communication Technology
IMSC	Inter-Ministerial Steering Committee
IPS	Institute for Public Services
IT	Information Technology
ITS	Institute of Tourism Studies

KPI	Key Performance Indicator
LC	Local Council
LN	Legal Notice
MCH	Mount Carmel Hospital
MCVS	Malta Council for the Voluntary Sector
MDH	Mater Dei Hospital
MEAE	Ministry for European Affairs and Equality
MEAIM	Ministry for European Affairs and Implementation of the Electoral Manifesto
MEDE	Ministry for Education and Employment
MFCS	Ministry for the Family, Children's Rights and Social Solidarity
MFH	Ministry for Health
MFIN	Ministry for Finance
MFTP	Ministry for Foreign Affairs and Trade Promotion
MGOZ	Ministry for Gozo
MHAS	Ministry for Home Affairs and National Security
MITA	Malta Information Technology Agency
MJCL	Ministry for Justice, Culture and Local Government
MMMU	Medical Materials Management Unit
MOT	Ministry for Tourism
MPA	Malta Police Association
MPF	Malta Police Force
MPGF	Malta Police General Fund
MPO	Malta Philharmonic Orchestra
MPU	Ministerial Procurement Unit
MTA	Malta Tourism Authority
NAO	National Audit Office
NECP	National Energy and Climate Plan
NSE	National Strategy on the Environment
OCVO	Office of the Commissioner for Voluntary Organisations
ODA	Overseas Development Aid
OPM	Office of the Prime Minister
ORC	Officer Receiving Clerk
PAC	Public Accounts Committee
PLD	Public Lotto Department
PPR	Public Procurement Regulations
PSD	People and Standards Division
PSMC	Public Service Management Code
PV	Photovoltaic
RCD	Revenue Collection Department
RES	Renewable Energy Source
RFP	Request for Proposals

ROFP	Return of Foreign Patient
RFID	Radio Frequency Identification System
SA	Social Assistant
SABS	Sistema Amministrattiva għall-Benefiċċji Soċjali
SOP	Standard Operating Procedure
SPA	Specially Protected Areas
SQ	Skills and Qualifications
SSA	Social Security Act
SSC	Social Security Contributions
TM	Training Management
TM	Transport Malta
UOM	University of Malta
VAT	Value Added Tax
VL	Vacation Leave
VO	Voluntary Organisation

**FOLLOW-UP ACTION
ON THE NAO ANNUAL REPORT 2017
ON PUBLIC ACCOUNTS**

MEAIM
EU PRESIDENCY 2017
(NOW THE MINISTRY FOR EUROPEAN AFFAIRS AND EQUALITY)

The Presidency of the Council of the European Union (EU) is responsible for the functioning of the Council of the EU, which is considered as the upper house of the EU legislature. It rotates among the EU member states every six months. Malta took up this role for the first time between 1 January 2017 and 30 June 2017. The then Ministry for European Affairs and Implementation of the Electoral Manifesto was responsible for the overall co-ordination and management of Malta's Presidency of the Council of the European Union.

The main scope of the NAO audit was to verify whether adopted procurement procedures were adequate and in compliance with the pertinent financial regulations and policies. The audit also sought to determine the level of existing internal controls, as well as to establish whether government resources were used prudently and in a judicious manner.

Follow-up Action

The objective of the testing carried out by the IAID was to determine whether the now Ministry for European Affairs and Equality (MEAE) had taken the necessary corrective actions in line with the recommendations put forward by the NAO, as relevant. During the meetings held with MEAE officials, the management stated that the Ministry is not accepting a number of observations outlined in the NAO report providing their respective justifications, while immediate and ongoing action was being taken with respect to the other observations and the respective recommendations.

Fieldwork revealed that the necessary documentation is being adequately filed for a complete audit trail. Expenditure is being classified according to its nature. While noting that, presently, no debit card is being used by the MEAE, the respective Corporate Services Directorate has drawn up a procedure in respect of CBM payments. Verifications are carried out prior to effecting payments and fiscal documentation is being requested. A direct order list has been duly published in the Government Gazette of 12th April 2019.

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

LIMITATION ON SCOPE OF AUDIT

<p>As evidenced throughout this Report, the National Audit Office (NAO) encountered problems in obtaining full and comprehensive information during the audit fieldwork stage resulting in the absence of a complete audit trail.</p>	<p>X</p>	<p>The then Ministry for European Affairs and Implementation of the Electoral Manifesto (MEAIM) was responsible for the overall co-ordination and management of Malta's Presidency. At the time of audit, all requested files were duly forwarded to the attention of the NAO officers. Given that the documents were filed in different buildings used during the Presidency 2017, some files were provided within a reasonable time from the date requested.</p>		
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KEY ISSUES

No Assurance on Completeness of Information

<p>All documentation relating to payments expensed from public funds is to be adequately filed for complete audit trail and ease of reference.</p>	<p>✓</p>		<p>The Ministry is ensuring that all the necessary documentation is adequately filed for complete audit trail as evidenced during the recent verification exercise.</p> <p>The Ministry is ensuring that expenditure is classified according to its nature.</p>	<p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Moreover, in terms of state audit legislation, the NAO auditors should be granted free access to all documentation and information that may be required for carrying out their duties in an effective manner.</p>			<p>Please see Justification column above.</p>	
<p>No Audit Trail in Central Bank of Malta Payments effected to Suppliers and Service Providers</p> <p>For completeness sake, whenever CBM payments are made, proper records are to be retained to identify payments to the respective suppliers.</p>	✓		<p>The Corporate Services Directorate within the Ministry has drawn up a procedure in respect of CBM payments. Proper records are being retained. Management will ensure compliance.</p>	<p>Implemented</p>
KEY ISSUES				
<p>Provision of Chauffeur-driven Cars</p> <p><u>Conflicting Information submitted by the Bidder</u></p> <p>In order to ensure equal treatment, divergence from the original requirements set out in the tender document should not be allowed. Moreover, any incomplete offers are to be rejected at the outset. If need be, the tender is to be reissued with different requirements, thus giving the same opportunity to all potential service providers.</p>	✓		<p>All the necessary submissions were duly documented in the Evaluation Committee's report by MEAIM in order to ensure transparency. Moreover, the then Ministry sought and obtained the necessary approvals from the Department of Contracts. The Ministry acted through the Departmental Contracts Committee and General Contracts Committee as necessary.</p>	<p>Noted</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Additional Transportation Services</p> <p><u>Additional Vehicles procured at Higher Rates</u></p> <p>If a service is urgently required, it is recommended that the Ministry, seeks approval 'in principle' for direct order before the commitment with the supplier is made. The estimated cost in the request can be calculated on the rates already being paid for similar services.</p> <p>To this effect, as far as possible, the Ministry is to refrain from purchasing services before the procurement process is concluded and the necessary approvals obtained.</p>			<p>IAID requested Evaluation Report for the provision of chauffeur-driven cars for the Presidency, and verified that the award was approved by the GCC.</p>	
<p><u>Contract Addendum entered into during Audit Fieldwork</u></p> <p>The Ministry is to ensure that goods and services of a considerable cost are only procured once the necessary contractual agreements are in place.</p>	✓		<p>Security issues and logistical arrangements necessitated a larger fleet of executive cars to meet the various foreign Ministerial delegations. Although bound by challenging circumstances and timeframes, the Ministry used quotations that were obtained from the open market.</p> <p>The Ministry will ensure that the procurement regulations are adhered to at all times.</p>	Ongoing
			<p>The Ministry takes note of the recommendation as may be applicable.</p>	Noted

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p><u>No Approval for Transportation Services already rendered</u></p> <p>The Ministry's attention is drawn to the fact that commitments with the service provider are only to be entered into once all the necessary authorisations are in place.</p>	✓		The Ministry agrees and takes note of this recommendation, as applicable.	Noted
<p><u>Retrospective Approvals</u></p> <p>Any unavoidable or unforeseen variations are to be approved by the correct level of authority before the services are actually procured and received.</p>	✓		The Ministry agrees and takes note of this recommendation, as applicable.	Noted
<p><u>Approved Variation exceeded</u></p> <p>Variations are to be duly authorised in line with the Procurement Regulations.</p>	✓		The Ministry agrees and takes note of this recommendation, as applicable.	Noted
<p><u>No Approval of Rate for New Trips charged by a Service Provider</u></p> <p>The Ministry is to ensure that for the proper execution of the respective contract, as far as possible, the specifications laid down in tender documents would cater for all services required. This would minimise the possibility of having to resort to direct orders for services other than those originally contracted for.</p>	✓		Efforts were undertaken to plan beforehand during the Presidency. However, some unforeseen circumstances could not be planned in advance. It should be underlined that these payments were separate and distinct from each other and approved through two different procedures, DOC and Ministry level.	Noted

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

<p><u>Insufficient Documentation supporting Transportation Invoices</u></p> <p>Amounts charged by service providers are to be duly supported to enable the Ministry to carry out the necessary verifications prior to settling amounts due. Any discrepancies identified through these checks are to be rectified before authorising the respective invoices for payment. Furthermore, all documentation is to be duly filed for future reference.</p>	<p>✘</p>	<p>These vehicles were used by the Police in connection with logistical and security matters related to the Presidency. The Ministry relied on verifications from the Police with respect to the utilisation of these transport services.</p>		
<p>Audiovisual Services</p> <p><u>No Contract Agreement traced to File</u></p> <p>Services procured, especially those of a substantial value, are to be backed by an agreement endorsed by the contracting parties. This document is to clearly lay down the terms and conditions of the services to be provided. The original copy of this agreement is also to be filed for future reference, including audit exigencies.</p>	<p>✔</p>		<p>The Ministry takes note of this recommendation. It should be pointed out that suppliers were bound by the respective terms and clauses contained in the request for quotations. Moreover, a competent person in the specialized field was appointed on behalf of the Contracting Authority to supervise the audio-visual process.</p>	<p>Noted</p>
<p><u>Double Payments effected by the Ministry</u></p> <p>The Ministry is expected to recoup the extra amounts paid to the service provider in question. To minimise the risk of settling</p>	<p>✔</p>		<p>MEAE has now settled the amounts with the supplier. Management will ensure compliance.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>invoices which had already been paid the Ministry is to ensure that adequate verification procedures are in place before invoices are processed for payment.</p>				
<p>Salaries <u>Overpayment of Salaries</u> This Office reiterates the need of adequate verification before actual payments are made. In case of resignations, the exact date of termination of employment is to be communicated to the Central Salaries Section, to reduce the incidence of overpayments, which might then be very difficult to recoup. The Ministry is also to recalculate the last salary which was due to the abovementioned officer and request a refund of the extra amounts paid.</p>	✓		<p>The overpayment was recouped by the Ministry prior to the NAO Audit.</p> <p>The Ministry ensures that verifications are carried out prior to effecting payments.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Debit Card <u>Debit Card's approved Running Balance exceeded</u> All conditions laid down in approvals granted by MFIN are to be strictly adhered to. In cases where divergences from these conditions are required, these are to be duly communicated to the respective</p>	✗	<p>The increase of the threshold to €10,000 was necessary and reflecting compelling urgent needs. The Ministry for Finance recognized these requirements and approved the requested</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>authorities. Payments are only to be made after obtaining the necessary authorisation.</p>	<p>X</p>	<p>threshold. Transactions to replenish the account were primarily based on the accruals notion, given that the bank account did not have an overdraft facility; hence there could have been instances where a supplier would charge the card several days after the transaction took place, resulting in a running balance exceeding the €10,000 during such periods.</p> <p>The Ministry ensured that expenditures made by debit card were duly endorsed and cross-checked against the approved plan for which the debit card was originally envisaged. The subscription in question was done electronically on the basis of a monthly standing order. A print out of the original order was inadvertently misplaced. However, the software in question was utilised throughout the relevant subscription period.</p> <p>Once the term of the EU presidency terminated, the debit card was closed.</p>		

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>No Evidence of Verifications carried out on Expenditure incurred</p> <p>Furthermore, for internal control purposes, verification and authorisation of expenses are to be carried out by an independent officer. This would ensure that any misuse or lack of compliance with the respective approvals are identified and acted upon by the Ministry in the shortest time possible.</p>	<p>✓</p>		<p>Presently, no debit card is being used by MEAE.</p>	<p>No longer applicable</p>
<p>Outside Catering Services</p> <p>No Proper Reconciliation of the Number of Guests charged for by the Service Provider</p> <p>The Ministry is expected to carry out appropriate verifications before effecting payments to service providers through a reconciliation exercise. Any discrepancies identified are to be duly rectified before payment is made.</p>	<p>✗</p>	<p>The Ministry effected the necessary verifications on this matter by seeking supporting documentation on the numbers quoted in the respective invoice. It is to be pointed out that the Ministry was charged during these events for a 'tech table', that is, Presidency Unit officers and liaison officers.</p> <p>Moreover, there were many instances where the invoice charged was lower than the number of registered guests. This reflects a</p>		

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>RECOMMENDATIONS</p>		<p>measure taken by the Ministry in order to ensure that the appropriate level of cost is incurred for the respective event.</p>		
<p>Other Matters</p> <p><u>Contract Price not stipulated in Addendum to Contract Agreement</u></p> <p>Addenda to contract agreements are expected to specify all the terms and conditions agreed between the contracting parties, including the chargeable rate of the services to be rendered.</p>	<p>X</p>	<p>The addendum reflected a number of services envisaged to be required from the supplier. It was based on an estimated per unit cost and a global amount of €100,000. Of this amount, only the sum of €75,732.48 (excl. VAT) was eventually used.</p>		
<p><u>Missing Inventory Records</u></p> <p>The MEAIM is expected to keep record of all inventory items purchased and to ensure that these are accurately recorded in the Ministry's Inventory Database. Such items are to be easily identifiable and traceable to the respective location. The Inventory Database is to be kept up-to-date and any transfer of assets, both permanent and temporary, is also to be duly recorded. Furthermore, physical verification of records from time to time is encouraged.</p>	<p>✓</p>		<p>The Ministry confirms that six devices were purchased and are on the Ministry's inventory. Two devices were transferred to the EU Secretariat and are duly listed onto IMU's records. The other four devices were installed at MITA given the type of services being provided by MITA to the Ministry. A transfer letter for these four items is in place.</p>	<p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

COMPLIANCE ISSUES

<p>Direct Order not published in the Government Gazette</p> <p>For the sake of transparency, the Ministry is to ensure that it publishes the list of direct orders awarded as per standing regulations.</p>	<p>✓</p>		<p>Direct Order list has been published in the Government Gazette on 12th April 2019.</p>	<p>Implemented</p>
<p>Fiscal Receipt issued following the NAO's Request</p> <p>The Ministry is to ascertain that proper fiscal documentation is obtained upon making payments for the purchase of goods or services from VAT-registered suppliers, as per VAT legislation.</p>	<p>✓</p>		<p>Fiscal documentation is being requested.</p> <p>The Ministry will ensure that the provisions of MF Circular 5/2002 and MFEI Circular 7/2011 are adhered to.</p>	<p>Implemented</p>

MFA
OVERSEAS DEVELOPMENT AID AND EUROPEAN
DEVELOPMENT FUNDS
(NOW THE MINISTRY FOR FOREIGN AFFAIRS
AND TRADE PROMOTION)

One of the strategic objectives of the Ministry for Foreign Affairs and Trade Promotion (MFTP) is to “elaborate and action a policy and work programme of humanitarian and development assistance based on the value of solidarity”. The two line items selected by the NAO for audit purposes were:

5366 – ‘Overseas Development Aid’

This line item includes payments with respect to the Official Development Assistance (ODA), referred to as Official Development Aid in the Financial Estimates. In the year under review by the NAO, €300,000 was earmarked for the co-financing of ODA projects in development cooperation, whilst the remaining budget was distributed for humanitarian reasons, other development assistance, and scholarships.

5582 – ‘European Development Fund’

The European Development Fund (EDF) is the European Union’s (EU) main instrument for providing development aid to African, Caribbean, and Pacific countries, as well as to other overseas countries and territories. This fund is financed by direct contributions from EU member states according to a contribution key, for which Malta’s share for the 11th EDF was set at 0.03801% of the total amount of €30.5 billion contributed by member states (This covers the period from 2014 to 2020. One can only confirm if the percentage was reached when all related payments are effected). This line item comprises three annual pre-established instalments by Malta to the European Commission and to the European Investment Bank.

The purpose of the NAO audit was to ensure that funds granted from the ODA for development and humanitarian assistance, as well as for scholarships, were managed in a transparent and accountable manner. Another objective was to ensure that funds from the EDF were being disbursed in accordance with the respective terms and conditions.

The NAO satisfactorily noted that prior approvals were obtained as necessary from the right level of authority before disbursement of amounts from the funds in question. Procedures in relation to the evaluation of applications for ODA projects were also in place and complied with, except for what was classified by the NAO as minor issues outlined in the report. Furthermore, the NAO also remarked that all documentation relative to the audit was held in an organised manner and was readily available for audit upon request.

Follow-up Action

Following the opening meeting, the IAID reviewed documentary evidence provided by the MFTP, comparing this documentation with the applicable official policy available online and conducted a re-performance on the ODA application process.

The IAID tested the adjudication process following publication of results. It was established that the decisions taken by the selection board were adequately supported and that the funding awarded was not in excess of the established thresholds.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Inadequate List published</p> <p>The names of all organisations applying for ODA are to be duly published, together with the respective markings, rankings, and amounts funded. This encourages unsuccessful applicants to ameliorate their position in subsequent applications.</p>	<p>✓</p>		<p>The names of all organisations applying for ODA are being published online on the Malta Council for the Voluntary Sector's website, together with the respective markings, rankings, and amounts funded.</p>	<p>Implemented</p>
<p>Funding awarded in excess of the established threshold</p> <p>Although the additional amount involved is not substantial, the established award criteria are to be adhered to in order to ensure fairness and equality among applicants.</p>	<p>✗</p>	<p>This recommendation is based on incorrect workings by NAO. The call in question stipulated that only up to 75% of eligible costs could be funded through ODA. In the 2017 ODA application, referred to by NAO, the total project cost was €15,230 but only €13,236 were eligible costs. Therefore this application which was ranked to receive 70% of the requested eligible costs was awarded 70% of €13,236.00, i.e. the actual amount paid by MFTP totalling €9,265.20. NAO on the other hand calculated 75% of the total project cost (€15,230 eligible and non-eligible) and then calculated 70% of the resulting 75%, reaching an erroneous conclusion that the amount due was €7,996.00.</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>Nevertheless, MFTP issued new guidelines that accompanied the 2019 ODA Call for Project Proposal Applications. The co-financing of the ODA eligible project costs is set at 90% which shall not exceed €75,000 of Ministerial co-financing per project.</p> <p>Evaluation has been completed. Management will ensure correct application of the guidelines.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Application Form not properly filled in</p> <p>In order to ensure a fair and equitable decision, the application forms submitted are to be properly filled in. Such requisite is to be clearly communicated to applicants on the form itself.</p>			<p>ODA project applications are submitted online through the MCVS portal. The electronic application form prohibits proceeding to other sections of the application if any part is not filled in.</p>	<p>Implemented</p>

Being the highest teaching institution in the country, the University of Malta (UoM) provides tertiary education at diploma, undergraduate, and postgraduate level to all those who have the requisite qualifications. Full-time undergraduate courses are free-of-charge to citizens of Malta and the European Union; however, fees are charged to students from non-EU states (with the exception of third country nationals who have been granted residency permits in Malta, as well as family members of such third country nationals as per Article 3(d) of the University Fees Regulations), as well as in the case of higher and part-time courses in general. Individuals accepted as regular students for a day course of studies at the university and who satisfy certain criteria are eligible for financial assistance as granted to Maltese nationals. Furthermore, students who are in a proven form of hardship may also qualify for a supplementary maintenance grant.

The objective of the NAO audit was to ascertain that foreign students undertaking a programme of study at the UoM during the academic year 2016-2017 paid the respective tuition fees, in accordance with Legal Notice 141 of 2016 and that, where applicable, the waiving of tuition fees was carried out in line with established conditions. Foreign students benefitting from Students' Maintenance Grants were also verified to ascertain that they have satisfied the eligibility criteria set out in Legal Notice 308 of 2016, duly provided the required documentation to the Students Maintenance Grants Board, and that the latter certified such records prior to processing payments. Verification of accuracy of amounts paid was thus outside the scope of the audit.

Follow-up Action

IAID has carried out testing to determine whether foreign students undertaking a programme of study at the UoM paid the tuition fees due and that any waiving of tuition fees was carried out in line with established conditions. A sample of foreign students benefitting from Students' Maintenance Grants was selected for testing. It was verified that they satisfied the eligibility criteria for stipends, provided the required documentation to the Students Maintenance Grants Board, and that the latter certified such records prior to processing payments of stipends. Testing was also performed to verify eligibility of foreign students for student maintenance grants and supplementary maintenance grants based on hardship and humanitarian basis. Checks included testing on student's residency criterion and on students working on a part-time basis. As regards the Exemptions Board, it was confirmed that there are no backlogs of applications with respect to waiving of tuition fees and all applications are being verified through the documents submitted by foreign students. Students can access information about exemptions from the UoM website. The UoM drew up standard operating procedures with respect to the collection of fees. The necessary action is being taken to ensure that invoices are issued in a timely manner and for the correct amount.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>Personal files are not maintained in respect of students pursuing areas of studies that are either organised by a third-party institution, or offered in collaboration with a number of foreign universities, whereby the respective students only come to UoM for part of the course programme. As a result, no audit testing could be carried out on two students falling within the audit sample, who during academic year 2016-2017 were engaged in such programmes.</p> <p>In addition to the above, the file of another student in the audit sample was not provided by the respective faculty by the time this audit was concluded; i.e. end of February 2018</p>			<p>Upon enquiring the Director of Finance of the UoM as to whether personal files are maintained, it was established that no physical files are kept for such students. However, electronic files are kept to give them access to all resources and to keep records of their academic performance.</p> <p>All files and documents requested from the University of Malta and MEDE for the purpose of this assignment were provided.</p>	
<p>Weak Controls</p> <p>Management is expected to ensure that adequate internal controls are in place, particularly that valid supporting documentation can be independently verified by third parties.</p> <p>Furthermore, stricter operating procedures are to be adopted for the prompt collection of fees due.</p>	<p>✓</p>		<p>Valid supporting documentation is being maintained.</p> <p>Changes to the Exemptions Policy – Section 6 Documents required with Application was approved by the Board on 11th April 2019.</p> <p>Amounts due from students decreased significantly from 2017 to 2018.</p> <p>Reminders are being sent to students who still need to settle the amounts due to UoM.</p> <p>An SOP with respect to the collection of amounts due was drawn up. Management will ensure compliance.</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>CONTROL ISSUES</p> <p>Lack of Verification to confirm Eligibility to Stipends</p> <p>The Board is to implement adequate internal controls, particularly ensuring that all applications for maintenance grants are supported by reliable, accurate and comprehensive documentation substantiating the requirements emanating from the law, before any payments are effected.</p> <p>Foreign students whose maintenance grants were approved are to be regularly monitored to ascertain that such entitlement still holds.</p>	<p>✓</p>	<p>Confirmed that checking has always been carried out, even on students who in previous years were in receipt of a maintenance grant.</p>	<p>The five-year residency requirement was confirmed through documentation and information submitted with the application form. The online system facilitates audit trail, where, amongst others, one can find the documents submitted by the student, staff comments, and status of the application.</p>	<p>Implemented</p>
<p>To this effect, periodic vetting of monthly payslips and contracts of employment is to be carried out, to certify that students working on a part-time basis are not exceeding the stipulated threshold. For full audit trail, students are also expected to provide a valid residency permit.</p>	<p>✓</p>		<p>Spot checks are being carried out to confirm eligibility. The Chief Officer confirmed that all foreign students who are doing part-time work were subject to a spot check.</p> <p>The Board has established a procedure to take into consideration students who are self-employed.</p> <p>The same applications were also checked for the five-year residency criterion.</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>Irregularities with respect to the Supplementary Scheme</p> <p>For the sake of transparency and control, the established criteria are to be abided by.</p>	<p>X</p>	<p>The Students' Maintenance Grants' Board follows established criteria in the award / approval of supplementary allowances as authorised by Section 16(c) of the Students' Maintenance Grants' Regulations; LN308 of 2016; however there are cases which fall beyond its remit, and in such cases and where the Board deems it justified, a recommendation to the Hon. Minister for Education pro tempore is done in regard to these issues for his direction / approval or otherwise. This is done since the Minister may, after recommendation by the Board, order the remuneration of the students' maintenance grants to a student who is, according to the Students' Maintenance Grants' regulations, not eligible to receive the students' maintenance grant due to special exceptional circumstances (Proviso of Article 13 of the same Regulations).</p>		
<p>In exceptional circumstances denoted by law that merit a special treatment, final Board decisions are to be appropriately documented in the Board minutes.</p>	<p>✓</p>		<p>Decisions taken are being documented in Board minutes. Such procedure is commendable, in order to ensure transparency.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Approval for Exemptions from Tuition Fees issued retrospectively</p> <p>UoM is to take the onus of informing foreign students for their possible eligibility for exemption from tuition fees. MEDE is to set clear deadlines for such application.</p>			<p>Information concerning the application for exemption from fees has been available on the UoM website for the past years, and is now also available on the UoM website. A formalised procedure with respect to such timeframe was established and approved by the Board on 11th April 2019.</p> <p>Information on exemptions can be accessed by students online at https://www.um.edu.mt/finance/service/coursefees where information regarding course fees is being provided.</p>	Implemented
<p>The latter is also to consider the strengthening of the Exemptions Office to be in a position to hold more frequent Board meetings in order to eliminate backlogs.</p>			<p>At present there is no backlog since the only pending application is, for a reason, beyond the control of the Board. Management is ensuring continuity.</p> <p>The Board has in addition met six times between September 2018 and March 2019.</p>	Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of Synergy Uniformity in documentation addressed to the students, achieved primarily through effective communication and collaboration between Sections, is highly recommended, to avoid unnecessary misconceptions and ensure that monies are duly collected in a timely manner.</p>			<p>Invoices will be issued in a timely manner. In addition, it will be ensured that students are invoiced for the correct amount.</p> <p>An SOP with respect to the collection of amounts due was drawn up. Management is to ensure compliance.</p> <p>Communication and collaboration are evident since Acceptance Letters are being issued from the registered office.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

MGOZ
SERVICES RENDERED TO THE ELDERLY AND
PERSONS WITH DISABILITY IN GOZO

One of the strategic objectives of the Ministry for Gozo (MGOZ) is to “create the right and adequate infrastructural support to cater for Gozo’s ageing population”. The Care for the Elderly Section within the Customer Services Directorate (CSD) is responsible to provide community care services for the elderly and disabled persons in Gozo.

The main purpose of the NAO audit was to determine the level of internal controls over the procurement and payment thereof by MGOZ for services rendered to the elderly and persons with disability in Gozo. The National Audit Office (NAO) also aimed to ascertain that funds were spent for the intended purposes, within the approved limits, and in line with the provisions of Public Procurement Regulations (PPR). Other objectives were to obtain reasonable assurance that payments effected were accurate, duly covered by supporting documentation enabling verification, and in line with the applicable agreements.

Follow-up Action

The objective of the testing carried out by the IAID was to determine whether MGOZ had taken the necessary corrective actions in line with the recommendations put forward by the NAO. Various meetings were held with staff from the Care for the Elderly Section within the Customer Services Directorate. The IAID also carried out the necessary testing on the documentation provided. Fieldwork revealed that CSD has drawn up a plan to ensure that inspections are carried out in every household over a pre-established period of time and issued an SOP indicating the checks to be performed. Action has also been taken with respect to vacation leave cards and verifications of attendance sheets. As regards the provision of the Meals on Wheels service, CSD is carrying out reconciliations between the delivery notes endorsed by clients and invoices. A quality survey is being conducted by the contractor. The management will be carrying out any necessary action based on the results of these surveys. The CSD will be liaising with the Ministerial Procurement Unit within MGOZ to ensure that any procurement is carried out in line with prevailing regulations.

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

KEY ISSUES

<p>Home Help Service Fixed Nominal Fee for Home Help Service As already highlighted in the 2008 Annual Report and in order to ensure that the limited resources are allocated according to one's income and/or wealth, a means test in the adjudication process is recommended.</p>	<p style="text-align: center;">X</p>	<p>The Customer Service Directorate (CSD) is applying the same rates adopted by the Active Aging and Community Care Directorate (AACCD) within MFCS. This is the national policy in place. Therefore MGOZ is precluded from going against it.</p>		
<p>Lack of Audit Trail related to the Service provided A database, containing all the relevant information and which can also keep track of any adjustments made, would enable the Department to operate more efficiently. It will also provide more transparency and effective control on the service provided by each Social Assistant.</p>	<p style="text-align: center;">✓</p>		<p>Two registers, containing relevant information, are maintained to ensure adequate audit trail of the services rendered by the social assistant.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Home Help Service</p> <p><u>Limited Home Supervision to ensure adequacy of Home Help Service</u></p> <p>A formal plan is to be drawn up to ascertain that inspections are carried out in every household on a more regular basis.</p> <p>Moreover, a Standard Operating Procedure is recommended, clearly indicating the checks to be performed during such an inspection, thus ensuring consistency.</p> <p>The outcome of these inspections is to be recorded in a standard report duly endorsed by the Supervisor performing such checks.</p>	✓		<p>CSD has drawn up a formal plan to ensure that inspections are carried out in every household over a pre-established period of time.</p> <p>CSD issued an SOP to the Social Assistants indicating the checks to be performed in order to ensure consistency.</p> <p>An inspection form was included in the SOP. This form will be endorsed by the supervisors. Management will ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Social Assistance</p> <p><u>Lack of Verification before Salaries are processed for Payment</u></p> <p>As required by section 2.1.2 of the Public Service Management Code (PSMC), an authorised senior officer is to ensure correctness and completeness of the attendance sheets.</p>	✓		<p>CSD issued a memo in respect of the procedure to be adopted over attendance sheets to ensure completeness and accuracy of salary payments.</p> <p>Attendance sheets are being endorsed by an authorised senior officer.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Internal controls on attendance records are also to be improved to ensure completeness and accuracy of payment of salaries. This could be done through the use of automated systems.</p> <p>Furthermore, claims for extra hours are not to be entertained unless duly approved.</p>			<p>Management is ensuring that the extra hours are justified and approved prior to being assigned.</p>	<p>Implemented</p>
<p>Vacation Leave availed of not adequately recorded</p> <p>CSD is encouraged to consider introducing a system whereby leave is applied for and approved electronically. This would reduce administrative paper work, as well as ensure that records are automatically updated.</p> <p>Otherwise, as stated in PSMC, a personal leave card is to be created for each officer, on which card, VL is applied for, approved and subsequently stored in alphabetical order.</p>	<p style="text-align: center;">✘</p>	<p>Since Social Assistants (SAs) do not report at CSD or at the contractor's office but go directly to the household, the introduction of a system whereby leave is applied for and approved electronically is not feasible.</p>	<p>Vacation Leave cards are maintained and stored in alphabetical order.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Meals on Wheels</p> <p>Limited control over the Management of the Meals on Wheels Service</p> <p>The number of meals provided is expected to be verified against the respective delivery note which is to be endorsed accordingly by the receiver after ensuring accuracy thereof.</p> <p>The quality of the meals is also to be checked.</p> <p>Such delivery notes should then be corroborated with the invoice before processed for payment.</p>			<p>CSD is ensuring that the GP44s are filled-in completely and the application forms for VL are endorsed by the officer in charge of leave, Supervisor and the Head of Section as authorised by the respective Director.</p>	<p>Implemented</p>
			<p>CSD is carrying out reconciliations between the delivery notes endorsed by clients and invoices. The reconciliation procedure has been included in an SOP.</p>	<p>Implemented</p>
			<p>A Quality Survey is being conducted by the contractor. Management will be carrying out any necessary action based on the results of these surveys.</p>	<p>Implemented</p>
			<p>CSD is carrying out reconciliations between the delivery notes endorsed by clients and invoices.</p>	<p>Implemented</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

COMPLIANCE ISSUES

<p>Meals on Wheels Shortcomings in the Procurement for the Provision of Meals on Wheels Service in Gozo</p> <p>To ascertain transparency and fairness, PPR are to be fully adhered to.</p> <p>Direct orders are only to be used as a last resort, provided that adequate justification exists, and supported by the necessary approval from MFIN.</p> <p>CSD is also to ensure that a performance bond is in place for the duration of the contract.</p>	<p style="text-align: center;">✘</p> <p>A DOC tender was issued and awarded in 2018. An MPU has been set up to ensure compliance with PPR.</p>	<p>CSD will be liaising with the Ministerial Procurement Unit (MPU) within MGOZ to ensure that any procurement is carried out in line with prevailing regulations.</p> <p>Performance Bond is in place. Management will ensure that the performance bond is renewed annually.</p>	<p>Ongoing</p> <p>Implemented</p>
<p>Incontinnence Service Variations in Tender exceeding the Established Limits</p> <p>CSD are expected to ensure that procurement regulations are duly followed in the acquisition of goods and services.</p>		<p>CSD will be liaising with the Ministerial Procurement Unit (MPU) within MGOZ to ensure that any procurement is carried out in line with prevailing regulations.</p>	<p>Ongoing</p>

MEIB
TAXI WAY AT SAFI AVIATION PARK

The Malta Industrial Parks Ltd falls under the Ministry for the Economy, Investment and Small Businesses (MEIB) and is responsible for government-owned industrial parks and related facilities as well as supporting and promoting their further development.

The purpose of this audit was to assess whether the capital expenditure in relation to the Taxi Way at the Safi Aviation Park effected during the 2017 financial year was free from material misstatements, and that the adopted procurement procedures were adequate and in compliance with standing financial regulations and policies.

The NAO noted that all documentation relative to the audit was held in an organised manner at the Malta Industrial Parks and was readily available for audit purposes upon request. The NAO also noted that any required prior approvals were obtained as necessary and procedures in relation to the tender submissions and evaluation process for the works at the Safi Aviation Park project were in place and complied with. The procedure in connection with the certification of works prior to effecting payment was well-documented. Payments made to both service providers and work contractors were also adequately substantiated.

The NAO therefore concluded that procedures in relation to the tendering process and certification of works of the Safi Taxi Way project carried out by the Malta Industrial Parks Ltd were in place and adhered to.

Follow-up Action

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

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>GOOD PRACTICE</p> <p>NAO was satisfied that procedures in relation to the tendering process and certification of works of the Safi Taxi Way project carried out by the Malta Industrial Parks Ltd were in place and adhered to.</p>			<p>No action required. In its reply, Management fully concurred with NAO's reviews and comments.</p>	

MEIB
COMMERCE DEPARTMENT - CREDITORS
AND ACCRUALS

Outstanding creditors and accruals of each Ministry and Department are to be reported in the relevant Returns and submitted to the Treasury Department. In line with Treasury Circular No. 10/2017 - 'Treasury Financial Data Transmission Calendar for 2018', these balances were to be submitted within the first 10 working days from the end of each calendar quarter.

The main scope of the NAO audit was to assess the Ministry's compliance with the pertinent Treasury Circulars regulating the collation and reporting of creditors' balances as well as accruals as at year-end.

Follow-up Action

Testing was carried out by IAID to determine whether the Commerce Department is complying with the pertinent Treasury Circulars regulating the collection and reporting of creditors' balance as well as accruals. In this regard, accrual accounting templates submitted to Treasury for Quarter 4 2014 and Quarter 1 2019 were used for testing.

This publication is presenting actions taken by the Commerce Department, including training on accrual accounting, to address issues highlighted in the NAO report and the actions that will be taken to ensure that the necessary pending corrective action is taken within stipulated timeframes.

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Balances erroneously included in the Creditors' Return</p> <p>The invoice date determines whether an outstanding balance should be shown as a creditor or accrued for.</p> <p>Moreover, amounts no longer due are to be reversed.</p>	<p>✓</p>		<p>Transactions will be included as creditors/accruals depending on the invoice date at cut-off.</p> <p>Necessary action will be taken to settle disputes and to set up a structure to monitor transactions.</p>	<p>July 2019</p> <p>September 2019</p>
<p>Invoices erroneously omitted from Returns</p> <p>In view of Government's plan to adopt the accrual accounting, of which creditor and accrual balances are an integral part, the Department is expected to establish procedures, such as rubber stamps indicating date of receipt of invoice, to ascertain that all amounts due can be correctly identified as either creditors or accruals. This would also ensure that the Returns requested by the Treasury Department, as well as the financial statements prepared therefrom, are complete and accurate.</p>	<p>✓</p>		<p>All the invoices verified are being rubber stamped (including date) when they are received and signed, indicating that they are certified correct. Furthermore, staff attended training on accrual accounting.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Commitments excluded from Returns</p> <p>As far as possible, officers are to observe the standard purchasing procedure and raise the commitment before goods or services are acquired. Besides ensuring that adequate funds are available, this would also facilitate an estimation of the amount of expenditure to be accrued for at the end of a given period. On the other hand, invoices received before this date should be included in the Creditors' Return.</p>			<p>Commitments are being raised before goods or services are acquired.</p>	<p>Implemented</p>

As announced in the 2016 Budget Speech, with effect from 1 June 2016 an Environmental Contribution (EC) on stays in licensable accommodation was introduced. All revenue generated from this initiative will be directed into a Tourism Environmental Trust by virtue of the Trust and Trustees (Tourism Environmental Trust) Regulations S.L. 331.09. The amounts deposited therein, which were collected via the Government Payment Gateway (GPG), through internet banking, or transfers directly into the Central Bank of Malta (CBM), were to be utilised for projects aimed at improving Malta's tourism industry. According to the second schedule to the Eco-Contribution Act (Cap. 473), the EC charge is of €0.50 per night per person who is 18 years of age or older on accommodation provided for a consideration or otherwise. This contribution is capped at a maximum of €5 per person per visit and is payable, amongst others, on accommodation in hotels, guesthouses, hostels, resorts, apartments, farmhouses, timeshare, and host families.

The purpose of the NAO audit was to evaluate the level of controls in place at the Office of the Commissioner for Revenue (CfR) as the competent authority during 2017. The systems and processes surrounding the collection of this contribution were also evaluated from an Information Technology (IT) perspective.

Follow-up Action

The objective of the testing carried out by the IAID was to determine whether MFIN had taken the necessary corrective actions in line with the recommendations put forward by the NAO. In this regard, discussions were held with officials from the Commissioner for Revenue and the Malta Tourism Authority (MTA). No IT audit was carried out.

Fieldwork revealed that there are ongoing discussions with the Ministry for the Environment, Sustainable Development and Climate Change to amend the Eco Contributions (EC) legislation to address the issue of penalties. CfR are using a number of tools including notifications to taxpayers, receiving data from the MTA, adoption of a risk-based approach for inspections, and use of periodical reports. In addition, MTA is ensuring that new MTA registrations are not being permitted unless a VAT number is submitted. CfR removed the payment threshold in the Government Payment Gateway. An SOP with respect to transfer of funds from commercial banks to the public account has been drawn up. Moreover, CfR is ensuring that the EC system includes records of all the payments made. A new Tourism Project Advisory was set up. The eco-contribution fund has been linked to line item 7019 Foundation for Tourism Zones and placed under capital expenditure.

In addition, this publication is presenting an action plan detailing how pending recommendations are being addressed.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

Limitations in relation to Enforcement Action

A number of enforcement tools may include automated reminders for the submission of quarterly Returns, as well as penalties in case of non-adherence.

Inspections should be coordinated, where possible, with those carried out by the Value Added Tax (VAT) Department in order to ensure better use of public resources and minimise the burden on regulated operators.



CfR is sending notifications with 'due date', through taxpayers' email and sms two weeks before due date.

CfR is coordinating the EC inspections with the VAT inspections.

Discussions are ongoing with the Ministry for the Environment, Sustainable Development and Climate Change to amend the Eco Contributions (EC) legislation currently in force in order to address the issue of penalties.

Once the legislation is amended, it is to be enforced by CfR through an increase in the personnel assigned, enhancement of the EC IT system to cater for automatic calculations adequately, followed by warnings and penalties in case of non-compliance.

CfR is receiving data periodically from the Malta Tourism Authority.

CfR is adopting a risk-based approach for inspections.

CfR is to make use of periodical reports from the VAT system to identify all the operators declaring 7% VAT in order to analyse and identify those who neither have an EC number nor an MTA number duly registered.

Ongoing

Implemented

July 2019

October 2019

Implemented

Implemented

July 2019

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Discrepancies between the Departmental Accounting System and Supporting Documentation</p> <p>a. <u>Payments made directly into the Central Bank of Malta</u></p> <p>Corrective action is to be taken to ensure that the EC system reflects all the payments made, irrespective of mode of settlement by the respective operators; hence a realistic figure of outstanding amounts will be shown.</p>	✓		All payments are being captured in the EC system.	Implemented
<p>b. <u>Payments not updated in the Departmental Accounting System</u></p> <p>If there is an issue with the local bank, this is to be resolved without undue delay so that any funds relating to the EC are withdrawn and included in the relevant DAS account. These are to be used as intended, i.e., for the benefit of tourism projects.</p>	✓		<p>Transactions effected through Government Payment Gateway are being accounted for in the Department Accounting System.</p> <p>MFIN has drawn up an SOP with respect to transfer of funds from Commercial Banks to the Public Account held at the Central Bank of Malta. The SOP was duly communicated to all concerned. Management is to ensure compliance</p> <p>CfR is ensuring that the EC system includes a record of all the payments made.</p>	Implemented Implemented Implemented

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

<p>Limitation on Payment Threshold in Government Payment Gateway</p> <p>The CFR is to consider the possibility of increasing the threshold in question. This may facilitate the process for operators who would otherwise have no option but to make multiple payments through a lengthy process.</p>			<p>CfR removed the threshold accordingly.</p>	<p>Implemented</p>
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CONTROL ISSUES

<p>Limited System Functionality</p> <p>Discussions should be held to assess the possibility of enhancing the EC system to allow for an automatic calculation of these penalties. This would ensure that the CfR holds appropriate records in relation to the full amounts due by the operators.</p> <p>Whilst the NAO acknowledges the initiatives already being taken and commends the efforts that have already been made by the CfR, it is highly recommended that cases before the Eco-Contribution Tribunal are followed closely so that relevant decisions can be consulted in the interest of a more efficient administration of the EC and collection of the amounts due.</p>			<p>Discussions are ongoing with the Ministry for the Environment, Sustainable Development and Climate Change to amend the EC legislation in order to address the issue of penalties.</p> <p>Once the legislation is amended, it is to be enforced by CfR through an increase in the personnel assigned, enhancement of the EC IT system to cater for automatic calculations adequately, followed by warnings and penalties in case of non-compliance.</p> <p>Cases before the Eco-Contribution Tribunal are being followed and monitored by CfR.</p>	<p>July 2019</p> <p>October 2019</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Ongoing discussions between the parties involved are to be held on a regular basis to ensure clarification about their respective roles vis-à-vis collection and enforcement of the EC. This would also go a long way in ascertaining that any potential changes to the Legislation are effectively brought forward by the responsible party.</p>				
<p>Trust Fund not yet established</p> <p>The MOT is to ensure that the correct setup is in place without undue delay so that the funds are used effectively and for their intended legal purpose.</p>	✓		<p>Trust and Trustees (Tourism Environmental Trust) was repealed through LN 374 of 2018. The Tourism Projects Advisory was set up.</p> <p>The eco-contribution fund has now been linked to line item 7019 Foundation for Tourism Zones and placed under Capital Expenditure. This will ensure that the funds are used effectively and for their intended purpose.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Registration and De-registration Processes</p> <p>Since accommodation operators pay 7% VAT on the income earned from short-term rental operations, the NAO recommends that the VAT officials involved in the Enforcement section make use of periodical reports from the VAT system to identify all the relevant operators. As a result, enforcement action could be directed towards those who neither have a VAT nor an MTA</p>	✓		<p>CfR is to make use of periodical reports from the VAT system to identify all the operators declaring 7% VAT in order to analyse and identify those who neither have an EC number nor an MTA number duly registered.</p>	<p>July 2019</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>number duly registered. Those operators, who are either not registered or are not paying the EC, will also be easily identified and necessary action can be taken accordingly.</p> <p>The MTA and the CfR are both encouraged to continue to cooperate in order to maximise the Government's potential revenue in terms of the EC, and thus ensure proper collection and utilisation thereof.</p>			<p>No written notifications are being issued. These will be issued once the IT system enhancements are in place.</p> <p>The responsibilities of MTA and CfR with regard to the operational aspect of the whole EC system are assigned and illustrated in a flow chart.</p> <p>MTA is ensuring that new MTA registrations are not being permitted unless a VAT number is submitted. In this regard, MTA introduced an additional check prior to issuing the letter of approval.</p> <p>MTA and CfR are enhancing the way data is shared between the two entities.</p>	<p>November 2019</p> <p>Implemented</p> <p>Implemented</p>
<p>Lack of System Notification</p> <p>The CfR is to take remedial action so that the EC system automatically generates a notification every quarter, through an e-mail, SMS, or both, whereby the operator is reminded to submit the declaration and settle any amount outstanding. In the absence of other tools for enforcement, such notifications would assist in the process of collection of the EC due by the respective operator.</p>			<p>CfR is sending notifications with 'due date', through taxpayers' email and sms two weeks before due date.</p>	<p>Ongoing</p>

MFIN
PUBLIC LOTTO DEPARTMENT -
FISCAL RECEIPTS LOTTERY

As per the notice published in Government Gazette No. 19,902, dated 17th November 2017, the Fiscal Receipts Lottery is drawn once a month. It includes fiscal receipts issued by means of fiscal cash registers or by means of other devices connected to a computer system approved by the Commissioner for Revenue, and fiscal receipts issued manually. The draw takes place under the supervision of a board.

The purpose of the NAO audit was to observe the Fiscal Receipts Lottery as managed by the PLD, falling under the Ministry for Finance (MFIN), and to assess whether winnings for the period January to November 2017 were in compliance with pertinent regulations. Media reports and a number of public concerns triggered the NAO into conducting such an audit.

Follow-up Action

The objective of the testing carried out by the IAID was to observe the Fiscal Receipts Lottery and to assess whether the necessary corrective actions were adopted in line with the recommendations reported in the NAO report. The IAID carried out meetings with key officials, an observation exercise, and reviewed the documentation provided.

Fieldwork revealed that the whole transfer of bags from the PLD premises to the warehouse is being observed by a representative of the Commissioner for Revenue. Once the receipts are deposited in the urn, the PLD is securing the premises with two locks. Moreover, on 23rd April 2019, MFIN published the amended regulations with respect to the Fiscal Receipts Lottery. The main amendments are that only the surname and identity card number are now required, thus simplifying the procedure. The boxes were observed to be duly locked, and the respective sliders closed by noon of the stipulated deadline. The Gozo branch collected the receipts deposited by noon of the same day. These were sent to the office in Malta by courier.

An action plan, including implementation dates, was drawn up to address the recommendations that are still not implemented.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Inadequate Equipment (Urn)</p> <p>The NAO opines that the urn is to be replaced with a more adequate one, to allow a better shuffling of fiscal receipts to take place, thus ensuring fairness and transparency.</p>	<p>✓</p>		<p>A call for tenders for the purchase of a new urn has been issued, and is currently at evaluation stage.</p>	<p>December 2019</p>
<p>Lack of Audit Trail during Fiscal Receipts Transfer Process</p> <p>It is recommended that the PLD Officials take note of the number of bags of fiscal receipts transferred from the PLD premises to the warehouse, in order to keep an audit trail of the whole process. Moreover, another PLD Official is to certify that all fiscal receipts are subsequently deposited in the urn.</p>	<p>✓</p>		<p>PLD officials take note of the number of bags of fiscal receipts transferred from the PLD premises to the warehouse. Subsequently, another PLD officer certifies that all fiscal receipts were deposited in the urn.</p> <p>In addition to the PLD officials, the whole process is being observed by a representative of the Commissioner for Revenue. Once the receipts are deposited in the urn, PLD is securing the premises with 2 locks. One key is kept by the PLD official, while the other is sealed in an envelope endorsed by a CFR official.</p>	<p>Implemented</p>
<p>Inadequate Location for Fiscal Receipts Lottery</p> <p>The NAO highly recommends that an adequate location where the Fiscal Receipts Lottery can take place, saving the Ministry unnecessary expenses, which currently approximate €600 a month.</p>	<p>✓</p>		<p>PLD is planning to move to the new premises by December 2019. Necessary action has been taken to reduce the expense of €600 per month to €236 per month.</p>	<p>June 2020</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
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COMPLIANCE ISSUES

<p>Initials on Fiscal Receipts not in agreement with Official Records</p> <p>It is recommended that such details would need to correspond to the first letter or the full name as registered in the CDB, to avoid any misinterpretation and reduce the level of judgement.</p>			<p>MFIN has amended and published on 23rd April 2019 the regulations with respect to the Fiscal Receipts Lottery, as follows:</p> <ul style="list-style-type: none"> i) only the surname and the Identity Card number is required; and ii) the Board member representing the general public will have observer status, together with the representative of the NAO; iii) the actual number of voting Board members has been decreased from four to three, thus avoiding the possibility of having the Board members' voting end in a tie; and iv) other minor amendments have been made to reflect the changes brought about by the repealing of the Public Lotto Ordinance Cap 70. 	<p>Implemented</p>
<p>Fiscal Receipts accepted following the Closing Date</p> <p>The PLD must ensure that no fiscal receipts, deposited in the PLD depository box, are accepted beyond the deadline stipulated in the Legal Notice.</p>			<p>The boxes are being duly locked, and the respective sliders are closed by noon of the stipulated deadline.</p> <p>The Gozo branch collects the receipts deposited by noon of the same day, and sends them immediately to the office in Malta by courier.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>Fiscal receipts pertaining to a particular month which are received after noon of the 10th day of the following month are included in the draw that takes place the following month. This is due to the fact that such receipts would be invalid for the draw of that particular month but could still include receipts which are valid for the draw of the following month.</p>	

During 2014, the Ministry for Finance (MFIN) created a line item to facilitate the payment of compensations awarded for cases of injustice or grievance suffered by officers in the public service. Ministries across government were notified that a request to recoup the grievance amounts paid was to be made to MFIN after the claims by the complainants were duly settled. The compensation paid would then be reimbursed by MFIN from the aforementioned line item.

The main purpose of the NAO audit was to ensure that compensation payments for 2017 made directly by MFIN, as well as reimbursements to other entities, were free from material misstatements. Furthermore, the National Audit Office sought to determine the level of existing internal controls over such expenditure.

Follow-up Action

Meetings were held with MFIN officials in order to obtain a general understanding of the procedures adopted by MFIN to effect the compensation payments. The IAID reviewed the documentation provided throughout this assignment. While corrective action was taken immediately, MFIN explained that the responsibility to give assurance that all claims for reimbursements are made with due diligence rests with the line ministry. Nevertheless, MFIN is requesting that all compensation payments related to grievances are accompanied by copies of supporting documentation. When compensation payments concern schemes involving a large number of aggrieved officers, MFIN will now obtain certification from the respective Ministry/Department that the amount(s) requested for reimbursements are verified correct and paid accordingly.

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

KEY ISSUE

<p>Insufficient Documentation maintained</p> <p>All reimbursements issued by MFIN are to be duly supported by documentation proving that the compensation payment has been authorised and settled by the respective entity, thus ensuring that the funds allocated are utilised for their intended scope. To this effect, a copy of the official decisions is to be retained in file, especially when the payment to the aggrieved officer is made directly by MFIN.</p>	<p style="text-align: center;">X</p>	<p>While action was duly taken by MFIN, the Ministry concerned has the responsibility to give assurance to MFIN that all claims for reimbursements are made following due checks for eligibility and correctness.</p>	<p>Nevertheless, MFIN took immediate action so that new requests for compensation payments related to Grievances are accompanied by copies of supporting documentation.</p> <p>Acting within the spirit of simplification and respecting accountability principles, when compensation payments concern schemes involving a large number of aggrieved officers, MFIN will obtain certification from the respective Ministry/Department that the amount(s) requested for the reimbursements are verified correct and paid accordingly.</p> <p>MFIN obtained the lists of officers receiving the compensation including the respective amounts.</p>	<p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>In cases where the information contained in the Board Decision is insufficient, MFIN is to liaise with the respective Ministry/Department and obtain assurance, as well as supporting documentation, to confirm that reimbursements are only issued in respect of officers who were eligible to receive compensation.</p>	<p style="text-align: center;">✘</p>	<p>While action was duly taken by MFIN, the Ministry concerned has the responsibility to give assurance to MFIN that all claims for reimbursement are made following due checks for eligibility and correctness.</p>	<p>Nevertheless, MFIN is ensuring that no reimbursement is effected unless the respective Board Decision indicates the name of the officer(s) being compensated and the amount(s) due.</p> <p>In addition, MFIN will obtain certification from the respective Ministry/Department that the amount(s) requested for reimbursements were verified correct and paid accordingly.</p>	<p>Implemented</p> <p>Ongoing</p>
<p>Discrepancies in Compensation Payments</p> <p>MFIN is to perform the necessary checks to ensure that compensation reimbursed to other Ministries/Departments truly reflect the amounts actually paid to aggrieved officers. Any differences or inconsistencies are to be duly queried upon and a justification obtained.</p>	<p style="text-align: center;">✔</p>		<p>MFIN took immediate action so that new requests for compensation payments related to Grievances are accompanied by copies of supporting documentation.</p> <p>Acting within the spirit of simplification and respecting accountability principles, when compensation payments concern schemes involving a large number of aggrieved officers, MFIN will obtain certification from the respective Ministry/Department that the amount(s) requested for the reimbursements are verified correct and paid accordingly.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>MFIN obtained the payment voucher issued to the aggrieved officer by the line Ministry following the Board Decision. The payment voucher amounted to €1,500. Thus, no extra amount was paid to the individual.</p> <p>MFIN obtained the payment voucher issued to the aggrieved officer for €4,500.</p> <p>The amount reimbursed to the line Ministry by MFIN was less than the amount paid to the officer. No further action was taken by MFIN. This did not have any impact on public funds.</p>	<p>Implemented</p> <p>Noted</p>
<p>Unrelated Payment of Compensation</p> <p>Compensation amounts are to be invariably issued from the correct Line Item pertaining to the respective Ministry, depending on the nature of the payment being made.</p> <p>Any conditions attached to the sanctioning of the compensation payment are also to be strictly adhered to and any supporting documentation filed accordingly.</p>	<p>✓</p>		<p>The observation related to the NAO report was a one-off case. No case similar to the one noted by NAO was included in the sample selected.</p> <p>MFIN ensures that when compensations are paid directly by MFIN, any conditions attached to the sanctioning of the compensation are strictly adhered to and any supporting documentation filed accordingly.</p>	<p>Noted</p> <p>Implemented</p>

MFIN
CREDITORS AND ACCRUALS

In line with MF Circular No. 10/2001 – ‘Government Accrual Accounting: Procedures for the Control of Debtors and Creditors’, ministries and departments are required to submit a quarterly analysis of creditors to the Accountant General. To this effect, in accordance with Treasury Circular No. 10/2017 – ‘Treasury Financial Data Transmission Calendar for 2018’, both the outstanding creditors and accruals have to be accurately reported in the respective return and submitted to the Treasury Department within the first ten working days from the end of each quarter.

The main purpose of the NAO audit was to assess the ministry’s compliance with the pertinent circulars regulating the collation and reporting of creditors’ balances, as well as accruals, as at 31st December 2017.

Follow-up Action

Testing was carried out on the accrual accounting templates submitted to Treasury for Quarter 4 2018 and Quarter 1 2019. To address the issues highlighted in the report, MFIN:

- compiled a checklist of all known categories of expenditure on the basis of which it would then estimate the accrued expenses;
- is compiling a list of foreseeable expenditure every quarter to be included in the accruals’ templates;
- is ensuring that returns are being filled in completely and accurately;
- is communicating with various units and Departments within the Ministry to ensure that invoices received are passed on to the Accounts Section to be processed and recorded in the creditors and accrued expenses in a correct manner.

A date rubber-stamp is being used upon receipt of each invoice to indicate the date of receipt.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
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<p>Creditors' Year-End Balances not in agreement with Third-Party Confirmations</p> <p>Appropriate checks are to be carried out to verify that all unpaid invoices were accurately recorded and that no invoices were omitted or accounted for more than once in the Return. To this effect, quarterly statements from all suppliers may be obtained to reconcile the respective balances prior to the submission of the Creditors' Return, especially at year-end.</p> <p>Moreover, MFIN is to emphasize the need to receive all invoices in time, in order to be able to report, as much as possible, accurate figures to Treasury, especially at end of year.</p>			<p>MFIN initiated an exercise whereby all suppliers' statements received are being checked and followed-up as necessary.</p> <p>MFIN are requesting quarterly statements from suppliers to be able to reconcile the respective balances prior to the submission of the Creditors' Return.</p> <p>A reminder is being sent every quarter to all MFIN units so that the latter can forward any pending invoices at the end of each period to the Accounts Section. This is being done so as to ensure that all invoices are received in time in order to report accurate figures.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Accrued Expenses not recorded</p> <p>A review is to be conducted by the Accounts Section of all pending commitments dated prior to the year-end.</p>			<p>MFIN compiled a checklist of all known categories of expenditure on the basis of which it would then estimate the amounts accrued.</p> <p>MFIN is compiling a list of foreseeable expenditures every quarter. This list is used as a basis to compile the Accrued Expense Return.</p> <p>MFIN is ensuring that the returns are being filled in completely and accurately.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Erroneous Entries in Accruals' Returns</p> <p>Where the Ministry has knowledge and certainty that an expenditure was incurred in the financial year being reported upon and it will be settled in the following year, a best estimate of the amount due is to be included in the Accruals' Return submitted to the Treasury Department.</p>	✓		<p>MFIN is compiling a list of foreseeable expenditures every quarter. This list is used as a basis to compile the Accrued Expense Return.</p> <p>MFIN is ensuring that the Accruals' Return is being filled in completely and accurately.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Balance Payable as at year-end not recorded in Creditors' Return</p> <p>In view of Government's imminent move towards accrual accounting, the Accounts Section is to coordinate with all other units within MFIN in order to ensure that it is provided with all invoices without undue delay.</p>	✓		<p>A reminder is being sent every quarter to all MFIN units to forward any pending invoices at the end of each period. This will ensure that all invoices are received on time in order to report accurate figures.</p>	<p>Implemented</p>
<p>Creditor Balance included in the Accruals' Return</p> <p>The date of receipt of invoice is to be clearly indicated to facilitate the compilation of accurate and timely information submitted to Treasury Department.</p>	✓		<p>A date rubber-stamp is being used upon receipt of each invoice to indicate the date of receipt.</p>	<p>Implemented</p>

LEAP Community Resource Centres, falling within the remit of the Foundation for Social Welfare Services (FSWS), have the aim of promoting equal opportunities to persons within society who are disadvantaged or at risk of poverty so to help them overcome their obstacles and better their lives. With 11 centres spread around the Maltese Islands, and through cooperation with other social partners, LEAP seeks to empower vulnerable persons through employment, capacity building, social integration, and social mobility.

The main objective of the NAO audit was to ascertain that adequate internal controls were exercised over recurrent expenditure, which included personal emoluments and various expenses classified under “operational” and “maintenance”.

Follow-up Action

The IAID could not carry out testing on inventory items as the compilation of the Fixed Asset Register is still in progress. Testing revealed that invoices are being verified prior to effecting payments. LEAP provided the necessary training on the collective agreement to its staff, which training also covered vacation leave. A formal policy regulating the flexitime system was introduced to regulate the way the flexitime operates. The administration of LEAP complied with the timeframes stipulated in circulars pertaining to the submission of VAT Quarterly Defaulter Returns.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

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RECOMMENDATIONS

KEY ISSUE

<p>Inadequate Inventory Management</p> <p>All assets are to be recorded accurately in a fixed assets register. These are to be adequately identifiable and traceable to the respective location. Room inventory lists are also to be kept and regularly updated.</p> <p>Furthermore, periodic physical verification of inventory items is also recommended, to ensure adequate control over government-owned assets.</p>	<p>✓</p>		<p>Management will ensure that an inventory exercise is carried out in accordance with the provisions of MF circular 14/99.</p> <p>Periodic physical verification of inventory items will be carried out to ensure that the required controls are in place.</p>	<p>October 2019</p>
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CONTROL ISSUES

<p>Lack of Verification against Contract Agreement</p> <p>All invoices are to be invariably verified and certified as factually and mathematically correct by the officers in charge, in order to confirm their accuracy before they are processed for payment.</p>	<p>✓</p>		<p>Invoices are being verified before these are processed for payment.</p> <p>As already acknowledged in the NAO report, credit refund was included in January 2018 invoice.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Insufficient Control over Vacation Leave</p> <p>For control purposes, the Human Resources Section is to verify the VL entitlement for the year against the hours availed of by each employee to ascertain accuracy of the unutilised VL to be carried forward from one year to another.</p> <p>Such verification is to be endorsed and dated accordingly.</p>	<p>✓</p>		<p>LEAP provided training on the collective agreement, which training also covers vacation leave.</p> <p>Requests for approvals to carry forward unutilised vacation leave hours to the subsequent year will be made in a timely manner. This will ensure that only approved unutilised hours are carried forward.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>Management will ensure compliance.</p> <p>Management will ensure that verifications of vacation leave balances are carried out to ensure accuracy and ensure that the balances recorded in the transfer schedule are correct and approved. Any checks carried out will be endorsed and dated. Signatures will be accompanied by a rubber stamp indicating full name and designation of the officer carrying at the checks.</p>	Implemented
<p>Absence of Documented Procedures regarding Flexi-Time</p> <p>A formal policy is to be introduced to regulate the way the flexitime system shall operate. Such policy usually indicates the core hours as well as an agreed number of hours during a settlement period.</p>	✓		<p>A formal policy was introduced to regulate the flexitime system.</p>	Implemented
COMPLIANCE ISSUE				
<p>VAT Defaulters not reported to the Authorities</p> <p>LEAP is to ascertain that all suppliers or service providers, who have received payments in part or in full for goods or services provided, adhere to the VAT regulations by furnishing the former with a fiscal receipt.</p>	✓		<p>LEAP is ensuring compliance.</p>	Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Quarterly Returns listing defaulters are to be compiled on a timely basis and submitted to the relevant authority within the stipulated timeframes. 'Nil' Returns are also to be forwarded accordingly, where applicable.</p>				

MFCS
RETIREMENT PENSIONS

A Contributory Retirement Pension is payable to all individuals upon reaching retirement age, in line with the provisions of the Social Security Act (SSA) (Cap. 318). To be eligible, individuals should have been either employed, self-occupied, or self-employed prior to the date of their retirement and should have paid the necessary Social Security Contributions (SSC) during their years in employment.

The main purpose of the NAO audit was to assess the department's procedures and controls in relation to the disbursement of the retirement pension during the year 2017.

Follow-up Action

IAID carried out testing to assess the department's procedures and controls in relation to the re-assessments of the retirement pensions.

The department drew up a policy with respect to the re-assessment of pensioners to address the respective backlog. The policy covers a timeframe of five years. All pensioners will be reassessed by the end of 2021. In 2018, the department undertook 22,081 re-assessments.

In 2017, MFCS resorted to outsourcing pension re-assessments in order to supplement the work carried out by the department to reduce the bottleneck existing in this regard. A walk-through test on the sample selected from the pensioners list was done through *Sistema Amministrattiva għall-Benefiċċji Soċjali* (SABS) and, from audit testing carried out, all the calculations were performed correctly. All the calculations included in the sample were found to be correct.

In addition, the management has taken the necessary action resulting in all pensioners now being classified under the respective category.

IMPLEMENTED OR DATE BY WHEN

ACTION

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ACCEPTED OR OTHERWISE

RECOMMENDATIONS

GOOD PRACTICE

The National Audit Office (NAO) was satisfied that the procedures and controls in relation to the initial pension calculation, as well as subsequent rate re-calculations were in place and in sound operation.

It was noted that it is the Department who contacts the individual upon approaching retirement age, and initial calculations are carried out on the basis of information, comprising SSC paid by the individual and gross salary or declared profits as applicable, obtained from the Office of the Commissioner for Revenue. The only details requested from the pensioner relate to the year immediately prior that of retirement.

Due to the reliance placed on the system for pensions to be triggered and for obtaining the necessary figures for initial calculation, manual intervention is limited, as is the possibility of manual error. This approach also avoids reliance on the pensioner's part at the application stage, thus making the system more efficient.

It was also satisfactorily noted that employees within the DSS are segregated in two sections – the assessors and the checkers. Thus, any pension calculation, be it for the first time or following re-assessment, is reviewed independently.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Lack of Re-Assessment Policy</p> <p>The NAO acknowledges that given the current resources and work flows, it is extremely difficult for the DSS to re-assess every pension on a yearly basis.</p> <p>In the short term, a re-assessment policy with applicable procedures could be issued to ensure that the Department's resources are deployed in a manner that ensures that such re-assessments would cover all pensions over a specified period of time, say every five years.</p>	<p style="text-align: center;">X</p>	<p>To overcome the bottleneck imposed by manpower shortage and in view of its legal obligations, in 2017 MFCS resorted to outsource pension re-assessments, to supplement the work carried out by the department. Moreover a five-year re-assessment plan in being implemented.</p> <p>The recommendation to have a policy that ensures pensions are re-assessed every so often goes counter to the provision of DSS Act (Article 59) that states "In respect of persons born on or before the 31st December 1961, any pension issued under this Part shall be reassessed annually with effect from the first Saturday in January of the year of the reassessment as provided for in sub-articles (2) to (6)."</p> <p>A Reassessment Policy and Procedure for Contributory Pensions at the Department of Social Security has been drawn up and has 8 sections, being:</p>		

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RECOMMENDATIONS

<p>Limited Resources not adequately used</p> <p>The DSS is encouraged to re-align its staff's priorities to ensure that pensions are re-assessed in a more equitable manner, thereby ensuring the maximisation of the number of pensions reviewed. Sound planning would then ensure that resources are adequately deployed in line with the new policy's aims and objectives. This would also ascertain that pensioners are given what they are owed in line with increases in the respective pay. It will also help the Department steer clear from the eventual large disbursements representing adjustments in arrears.</p>		<ul style="list-style-type: none"> - Purpose - Policy Statement - Authority and Compliance - What is the purpose of reassessments? - Benefits for DSS from punctual reassessments - Procedure used for reassessments - Timeframes - Legislation and Policies <p>The Department has detailed resources to overcome the bottleneck as explained above.</p>		
			<p>The private contractor was engaged in 2017, and from that year onwards there was a substantial increase in the number of re-assessments undertaken. In fact, in 2018 there were 22,081 re-assessments in contrast to only the 9 re-assessments performed in the year 2000. The audit team analysed the aged re-assessment list and established that 2,869 cases out of 53,029 had their last re-assessment in 2009 or before so these are at least 9 years in arrears.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Individuals omitted from the List</p> <p>Reconciliations should be carried out to identify any pensioners who were not included in the re-assessment categories.</p>	✓		All the individuals are now classified in the respective category.	Implemented

Previously known as the Malta Council for Culture and the Arts, the council is regulated by the Arts Council Malta (ACM) Act Chapter 542, effective from 29th May 2015 (Act XV of 2015) and falls under the jurisdiction of the Ministry for Justice, Culture and Local Government (MJCL). ACM is the national agency for development and investment in the cultural and creative sectors and its central task is to effectively fund, support, and promote these sectors in Malta. Various functions were assigned to ACM through the prevailing legislation, in addition to, from time to time, work related to one-off important national events.

The NAO audit's objective was to obtain reasonable assurance on the adequacy and effectiveness of governance and control procedures. In this regard, the audit was meant to confirm that, during the 2017 financial year, expenditure incurred was duly authorised, properly accounted for, and in line with the procurement regulations, as well as other relevant circulars. The adequacy of procedures for the collection and accounting of revenue was also to be determined.

Follow-up Action

The IAID carried out the necessary testing to determine whether the necessary corrective action was taken to address NAO recommendations. Meetings were held with ACM staff and documentation provided was reviewed. It was established that one Finance Manager was recruited within the Finance Section so that, amongst other duties, he would assist in bank reconciliations and monthly debtors' review. ACM has revisited the methodology as regards to the procurement procedures. A procurement plan for 2019 was submitted to MPU. Direct orders were reduced from 224 in 2017 to 134 in 2018. A number of policies have been drawn up, including a bank signatory policy and a credit control policy. A complementary ticket policy was approved by the Permanent Secretary in April 2019 and circulated to all officials authorised to issue complementary tickets. ACM decided to refrain from using a credit card. The national ticketing platform went live in December 2018 on kultura.mt. As stipulated by law, six board meetings are scheduled for 2019.

An action plan was drawn up to address the observations in respect of which action is still pending.

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ACTION

JUSTIFICATION

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RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>The objectives of the audit were hindered, since neither the audited Financial Statements nor the Management Accounts for the year ended 31 December 2017, were available. The Financial Statements and Management Accounts for the preceding year were also not finalised.</p>	<p>✓</p>		<p>One Finance Manager was recruited within the Finance Section.</p> <p>Financial Statements for 2016 have been audited and signed off on the 10th of December 2018.</p> <p>Management will ensure that the audited financial statements for 2017 and 2018 will be finalised without any further delay:</p> <ul style="list-style-type: none"> • Audited Financial Statements 2017 • Audited Financial Statements 2018 	<p>Implemented</p> <p>Implemented</p> <p>July 2019</p> <p>October 2019</p>
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KEY ISSUES

<p>Internal Control Weaknesses</p> <p>Management is to strive towards establishing a strategy for the implementation of the necessary internal controls, particularly in view of the material amount that the Council is responsible to administer.</p>	<p>✓</p>		<p>The ACM has revisited the methodology with regard to procurement procedures.</p> <p>A procurement plan for 2019 was prepared and submitted to MPU in January 2019.</p> <p>Bank signatory policy was approved by the ACM Board in September 2018.</p> <p>The credit card has been rendered unusable and has been stopped through the BOV phone banking system. Moreover, the ACM will not be making use of a debit card.</p> <p>The national ticketing platform went live in December 2018 on kultura.mt.</p> <p>Reports are being generated from this system.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>A complementary ticket policy has been drawn up and approved by the Permanent Secretary.</p> <p>The policy was communicated to all officials authorised to issue tickets.</p> <p>Six board meetings are scheduled for 2019.</p> <p>ACM is undertaking yearly bank reconciliation exercises.</p> <p>Management will ensure that controls are in place and will work effectively in order to identify any errors and unusual transactions.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>July 2019</p>
<p>Habitual Procurement by Direct Order</p> <p>Officers in charge of procurement are to keep abreast with and adhere to prevailing procurement legislation. Furthermore, management is to ensure that, as far as possible, services and/or supplies are procured following a competitive procurement procedure, to ascertain a fair and transparent selection process.</p> <p>Additionally, it is advisable to seek guidance from the Department of Contracts for any procurement with a 'concession' element, prior to commencing the process.</p>			<p>ACM has revisited the methodology as regards the procurement procedures.</p> <p>Direct Orders were reduced from 224 in 2017 to 134 in 2018.</p> <p>Direct Orders will only be resorted to in line with the pertinent regulations and circular.</p> <p>ACM is liaising with DoC as regards procurement procedures to be adopted for the organisation of concerts.</p> <p>The necessary action is being taken so that the applicable procurement procedure is adopted for concerts scheduled for 2020.</p>	<p>Implemented</p> <p>Implemented</p> <p>Ongoing</p> <p>Implemented</p> <p>July 2019</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Insufficient Collection Effort</p> <p>The drawing up of clear credit control policies, as well as the assignment of adequate competent staff for this specific task, is a dire need. Additionally, as also highlighted by the Council's auditors, a provision for doubtful debts should be set, based on an established management policy, to be in line with international accounting requirements. This provision is to be reviewed periodically in order to assess its adequacy and amended accordingly.</p>			<p>A credit control policy has been drawn up and approved by the ACM Board in September 2018.</p> <p>A Finance Manager has been assigned the debtors review task during January 2019; Review is being done on a monthly basis – sending of statements and communication with debtors and related units to maximise collection efforts.</p> <p>The ACM Board approved the provision for doubtful debts policy and write off of old debtors.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Income derived from Fondazzjoni Kreattiva`</p> <p>Although both are Government bodies, Management is still encouraged to establish the terms and conditions of the relationship between the two entities and formalise the administrative and financial arrangements in writing to avoid potential misunderstanding. This will also enable audit trail and ensure that all income is recorded.</p>			<p>The national ticketing platform went live in December 2018 on kultura.mt.</p> <p>Reports are being generated from this system.</p> <p>A complementary ticket policy has been drawn up and circulated to all officials authorised to issue tickets.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Credit Card</p> <p>Management is to ensure that the use of such card is regularised. In this respect, the Council needs to make a formal request to MFIN in order to obtain the necessary approval.</p>			<p>The credit card has been rendered unusable and has been stopped through the BOV phone banking system. Also, the ACM will not be making use of a debit card.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Furthermore, an officer within the Finance Section is to be identified and held responsible for the monthly monitoring of the related expenditure.</p>				
<p>Bar Sales</p> <p>Documented procedures in order to regulate the setting up of a bar are recommended.</p> <p>Each activity would require a statement of income and expenditure to be prepared, showing the respective surplus or deficit. Management may also consider the possibility of granting the bar concession to third parties.</p>	✓		<p>Bars will be subcontracted for the Jazz Festival and Ghanafest.</p>	<p>No longer applicable</p>
<p>Authorisation of Bank Signatories not evidenced</p> <p>It is recommended that the adopted bank signatory policy is formalised through a Board resolution and the relative minutes filed for future reference.</p>	✓		<p>Bank signatory policy was approved by the ACM Board in September 2018.</p>	<p>Implemented</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

COMPLIANCE ISSUES

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Financial Statements not finalised</p> <p>Financial statements are to be finalised in time for the annual statutory audit to be conducted by external auditors, in order to ensure that submissions of the audited accounts are made by the established deadline.</p> <p>Moreover, management accounts are to be prepared quarterly as required by article 27 of the Act.</p>	<p>✓</p>		<p>The audited financial statements for 2016 were completed in December 2018.</p> <p>Management will ensure that the audited financial statements for 2017 and 2018 will be finalised without any further delay:</p> <ul style="list-style-type: none"> • Audited Financial Statements 2017 • Audited Financial Statements 2018 <p>One Finance Manager was recruited within the Finance Section to assist in the preparation of the management accounts.</p> <p>Management accounts will be prepared quarterly as required by Article 27 of the Act.</p>	<p>Implemented</p> <p>July 2019</p> <p>October 2019</p> <p>Implemented</p> <p>October 2019</p>
<p>Board Meetings not regularly held</p> <p>Members appointed on the Board are expected to provide constructive contribution towards the attainment of the Board's objectives through regular meetings, as required in terms of the Act.</p>	<p>✓</p>		<p>Six board meetings were held in 2018. The Board was composed in line with the respective legislation.</p> <p>Six board meetings are scheduled for 2019 as per Article 6(1) of the Act.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
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<p>Concerns raised by the Private Auditors</p> <p>The Council is expected to submit a formal reply to the management letter so as to provide its feedback to the issues highlighted. In order to obtain added value from each audit, Management is to establish an action plan with deadlines by when each remedial action is to be taken by designated officer/s, to ensure that shortcomings do not recur.</p>	✓		<p>The external auditor confirmed that no management letter has been issued following the 2015 and 2016 audits.</p> <p>Action plans have been drawn up in respect of any management letters received, as are also being done in respect of this NAO report.</p>	<p>Noted</p> <p>Implemented</p>
<p>Bank Reconciliation</p> <p>A bank reconciliation should serve to identify any errors or unusual transactions. In this regard, the Council is advised to perform bank reconciliations within a few days after the end of every month so as to ensure that all transactions are legitimate and the cash book is duly updated. Failing this, management will be forced to take decisions on the basis of inaccurate information due to incorrect balances shown in the Council's records. Moreover, the difficulty faced when reconciling accounts with a voluminous number of transactions pertaining to a whole year cannot be overlooked.</p>	✓		<p>ACM is undertaking yearly bank reconciliation exercises.</p> <p>Management is to ensure that controls are in place, and work effectively in order to identify any errors and unusual transactions.</p>	<p>July 2019</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Absence of a Fixed Assets Register</p> <p>A Fixed Assets Register is to be compiled in accordance with the established guidelines without undue delay. This will assist ACM to exert better control over the custody of the assets, thus ensuring they are safeguarded.</p>	<p>✓</p>		<p>An IT Fixed Asset Register is in place. The ACM is in the process of compiling a Fixed Asset Register for all assets.</p>	<p>July 2019</p>

Being the leading exponent of Maltese musicians, the Malta Philharmonic Orchestra (MPO) performs over 70 concerts every year, including symphonic concerts, opera productions in Malta and Gozo, as well as overseas tours in various leading venues. It is also responsible for the orchestral training and professional development of the next generation of Maltese musicians through the MPO Academy and the Malta Youth Orchestra.

The main purpose of the NAO audit was to determine the level of internal controls in the payroll process, as well as to verify whether the applicable regulations and agreements were being followed. To achieve this objective, a number of meetings were held with the MPO's management in order to obtain an understanding of the relevant policies in place and procedures adopted. Furthermore, walkthrough tests and detailed substantive testing were carried out to confirm the existence and the correct application of controls.

Follow-up Action

The IAID carried out testing on various documentation, including attendance sheets, contracts of employment, credit card transactions and receipts, and policies. Action taken by the MPO to address the issues highlighted included:

- cancelling the credit card and entering into a repayment agreement for the recouping of amounts due;
- drew up and approved by the Board the hospitality, debit card and travel policies;
- is carrying out a review of the monthly management accounts in a formal manner where extraordinary transactions will be brought to the attention of the Board;
- all employees are included on attendance sheets;
- telework agreement is in place together with monthly reports on the work carried out during telework hours;
- contracts of employment are in place for the mentioned employees;
- is carrying out of verifications of vacation leave and sick leave;
- letters of appointment were issued to Board members and payment of honoraria has been brought in line with guidelines.

Testing on travel expenditure could not be carried out due to the lack of such expenditure during the period between the date of the NAO report and the date of fieldwork carried out by IAID. However, it is to be noted that the policy caters for the granting of a subsistence allowance in line with pertinent regulations.

An action plan was compiled to address the observations which were still not implemented.

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

KEY FINDINGS

<p>Weak Control Environment</p> <p>Management is to carry out an in-depth operational review so that an effective administrative set-up is eventually put in place. Operating policies and procedures, based on good practices highlighted in the Public Service Management Code (PSMC), are to be drawn up and invariably adhered to.</p>				
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CONTROL ISSUES

<p>Credit Card</p> <p><u>No Ministerial Approval to issue Credit Card</u></p> <p>In order to regularise matters, approval for the use of debit or credit card, as deemed necessary, is to be sought from MFJN without delay. A valid justification to cover a credit limit of €7,000 would also be required.</p> <p><u>Expenditure incurred by Credit Card not substantiated</u></p> <p>To mitigate abuse and for the sake of transparency and audit trail, all amounts paid out of MPO's funds are to be invariably backed up by official documentation, such as an invoice and/or receipt as applicable. Moreover, instances involving hospitality and entertainment are to be supported by proper written</p>	<p>✓</p>		<p>The credit card has been cancelled.</p> <p>Should a new debit card be required, an application will be made after obtaining the necessary approvals from the Permanent Secretary MJCL and the Ministry for Finance. A debit card policy will be drawn up and approved by the Board, as required.</p> <p>A repayment agreement has been drawn up. The first payment was effected in February 2019.</p> <p>Management will ensure that all amounts due are recouped.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>justifications. Furthermore, Management should ensure that public funds are utilised in an efficient and economical manner, in line with the applicable Code of Ethics3.</p> <p>Effective monitoring is also to be carried out by the Finance team, with any extraordinary transactions being flagged and brought to the attention of the Board for further discussions.</p>	✓		<p>A Hospitality policy has been drawn up and approved by the Board. Policy will be communicated to all staff concerned.</p> <p>Management initiated the reviews of the monthly management accounts.</p> <p>Extraordinary transactions will be brought to the attention of the Board.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Human Resources Matters</p> <p><u>Vacation Leave Entitlement exceeded</u></p> <p>Vacation leave comes at a cost. To this effect, Management is to ensure that the aggregate days of vacation leave granted to its employees does not exceed the amount stipulated in the collective agreement.</p> <p><u>No Attendance Sheets maintained for Administrative Staff</u></p> <p>Management is encouraged to review the current policy with respect to the attendance record system and ensure that all employees duly log in their attendance.</p>	✓		<p>Recess period for 2018 was in line with the collective agreement.</p> <p>Attendance sheets for administration staff are now in place.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p><u>Employees without a Signed Contract in line with their Present Conditions of Work</u></p> <p><i>Deployed Officer & Part-Timers</i></p> <p>For each of its employees, every employer is expected to have a signed contract of service in place, clearly setting out the applicable conditions of employment that are legally binding. Furthermore, Management is encouraged to draw up formal telework procedures, thereby ensuring uniformity and better control over its employees.</p>	<p>✓</p>		<p>A contract of employment with the Media Coordinator is in place.</p> <p>A telework agreement is now in place.</p> <p>As from February 2019, a new form which is to be completed on a monthly basis was introduced. This monthly report of the work carried out on telework is submitted to the CEO.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p><u>Anomalies in the Employment of the Service Officer</u></p> <p>Management is to ensure that contractual terms are followed to avoid discrimination and promote transparency.</p>	<p>✗</p>	<p>The overtime performed by the Service officer on Sundays was already paid as stipulated in the PSMC, Section 2.2.7 – “Staff eligible for overtime payment, who attend for work on Sundays/Public Holidays (between 0001 and 2400 hours) are remunerated at double the plain hourly rate for every hour of work performed, which amount should not be less than the minimum of a day’s pay, calculated as: (Annual salary) ÷ 261”.</p> <p>The difference between the total hours as per payroll</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>MPO is thus to recoup any amounts paid beyond the overtime rates established in the addendum to the contract of employment.</p> <p>The use of privately-owned vehicles for work-related purposes is also to be formally approved with reimbursement rates reflecting those stipulated in the PSMC. In addition, log entries as required by the applicable regulations are to be certified by the officer in charge of transport at the end of each month, in order to ensure that the trips recorded therein were made on official duty and that fuel consumption is reasonable.</p>	✓	<p>workings referred in the NAO report and the hours as per officers' timesheets is merely 1 hour, which could be due to rounding up.</p> <p>Management has not accepted to recoup the amounts from the employee.</p>	<p>The MPO is ensuring that the requests for reimbursement for the use of a private car on official duties is duly completed in accordance with the PSMC manual.</p>	<p>Implemented</p>
<p><u>Acquisition of Services of a Marketing and Development Executive</u></p> <p>MPO is to strive to acquire its goods and services in line with the applicable regulations, thus ascertaining transparency.</p>	✓		<p>A Marketing Executive was engaged following a call for applications.</p>	<p>Implemented</p>

IMPLEMENTED OR
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RECOMMENDATIONS

<p>Moreover, adequate substantiating records, enabling verification of hours contributed by the service provider, are to be maintained and the necessary independent reconciliations evidently carried out before settling billed amounts.</p>			<p>Attendance sheets are in place. Verifications are being carried out on a monthly basis.</p>	<p>Implemented Implemented</p>
<p><u>Expired Employment Contracts</u> Valid contracts of employment are to be invariably drawn up for all employees in order to establish commitment and formalise employment relationships. This will ensure agreement between the parties concerned when it comes to the job description, remuneration and terms and conditions related to the particular post.</p>	<p>✘</p>	<p>All of the 3 contracts referred to in the NAO report were converted to an indefinite basis by a letter issued from the OPM and sent to the individual musicians in 2007. Therefore, they have been on an indefinite contract since 2007.</p>		
<p>Vacation and Sick Leave <u>Utilisation of Vacation Leave from the Subsequent Year's Entitlement</u> Management is to ensure that pertinent regulations are adhered to.</p>	<p>✓</p>		<p>Management is ensuring that no employee exceeds the annual vacation leave entitlement.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p><u>Vacation and Sick Leave Records not updated</u></p> <p>Regular reconciliations between attendance reports and vacation leave are to be performed by the officer in charge of Human Resources, to ensure that the respective records are updated accordingly. Furthermore, leave deductions applied should reflect the actual number of hours during which musicians are not carrying out their duties.</p>	✓		Verifications are being carried out on a monthly basis.	Implemented
<p><u>Sick Leave not covered by a Medical Certificate</u></p> <p>As required by both the PSMC as well as the Collective Agreement, all sickness is to be attested by a medical certificate, which is to be submitted in a timely manner. Failing this, sickness is not to be paid for and any corrective action deemed necessary is to be taken accordingly.</p>	✓		<p>Management is ensuring that sick leave is backed by medical certificate.</p> <p>An internal memo was issued and communicated to all musicians and administration staff.</p> <p>Verifications are being carried out on a monthly basis.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Mobile Phones <u>Excessive Expenditure on Mobile Phone Bills</u> Diversions from the entitlement as per contract of employment are to be endorsed by the respective Permanent Secretary and the Collective Bargaining Unit.</p>			<p>A valid contract of employment is in place. Any diversions from entitlement as per contract will be referred for the consideration of Permanent Secretary, MJCL.</p>	<p>Implemented</p>
<p>Board of Directors <u>No Official Re-appointment of the Board of Directors</u> For the sake of legitimacy, the Board is to be appointed annually by the respective Minister.</p>			<p>Letters of appointment dated 28th February 2019 were sent to the members of the MPO Board, which appointment commenced as from 31st January 2019.</p>	<p>Implemented</p>
<p><u>Board of Directors Remuneration not in Line with established Rates</u> MPO is to ensure that Board members are paid at the correct rate in line with the new guidelines.</p>			<p>Board members are being paid in line with the guidelines.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Travel</p> <p><u>Lack of Control on Travel</u></p> <p>MPO is to adhere to the provisions of the PSMC with respect to travelling abroad without exception or fail.</p> <p>This entails that when performing official duties overseas, officers are given a subsistence allowance in accordance with the per diem rates set by MFIN.</p> <p>Moreover, substantiating documentation enabling verification of the relative components paid is to be maintained at all times.</p> <p>Reports are also to be compiled by the travelling officers and submitted to the Ministry within one month after the visit, thereby enhancing accountability. An official programme of duty visits abroad, covering all MPO staff, is also to be prepared at the beginning of each year, clearly identifying the purpose of the official travels to be undertaken.</p>			<p>Management will ensure compliance.</p> <p>A policy with respect to travel abroad has been drawn up and approved by the Board.</p> <p>Management will ensure compliance with the adopted policy.</p> <p>Management will ensure compliance.</p>	<p>Implemented</p>

As an introduction to the eventual transition of government departments to accrual accounting, the then Ministry for Finance (MF) had issued MF Circular No. 10/2001 entitled 'Government Accrual Accounting: Procedures for the Control of Debtors and Creditors'. The circular covers the procedures necessary for the proper management of debtors and creditors within every ministry and their respective departments. The Treasury (TR) also issued TR Circular No. 3/2003 - 'Government Accrual Accounting: Procedures for the Management of Prepayments, Accruals and Capital Commitments', which circular establishes the procedures necessary for the management of prepayments, accruals, and capital commitments within ministries and departments. Amongst other things, both circulars stipulate that a suitable officer within the department concerned is to be responsible for the maintenance and updating of information relating to creditors and accruals. These records are to be updated to reflect accurate and precise details of the amounts payable by the department and a quarterly analysis shall be submitted to the Accountant General. To this effect, in accordance with TR Circular No. 9/2017 - 'Closing of Accounts for Financial Year 2017', the analysis of creditors and accrued expenditure as at 31st December 2017 was to be submitted by 15th January 2018.

The purpose of the NAO audit was to analyse whether the Ministry for Tourism (MOT) and the Institute of Tourism Studies (ITS) were abiding with the respective circulars, in presenting accurate and timely reports. It also aimed to provide reasonable assurance on the effective controls employed by the auditee with respect to creditors and accrued expenditure.

Follow-up Action

Creditors and Accruals - Ministry

Testing was carried out on the accrual accounting templates submitted to the Treasury for Quarter 4 2018 and Quarter 1 2019. To address the issues highlighted in the report, the Corporate Services Directorate within MOT has and is taking the following actions:

- recruited three new staff members to help in the compilation of the templates;
- created a list of pending invoices;
- is rubber-stamping all invoices received with the date of receipt to be able to report them in a correct manner;
- communicated with various sections within the Ministry on the requirements related to the procurement, commitments, and proper reporting and highlighted the importance that such documentation is sent to the accounts section within the ministry in due time;
- initiated an exercise whereby all suppliers' statements received are being checked and followed-up as necessary. An action plan was compiled to address the recommendations that were still not implemented.

Creditors and Accruals - Institute for Tourism Studies

Testing was carried out on the accrual accounting templates submitted to Treasury for Quarter 4 2018 and Quarter 1 2019. To address the issues highlighted in the report, the Institute for Tourism studies:

- is keeping a log of all the invoices received by the institute;
- is ensuring that the creditors and accruals returns are filled in completely and accurately, giving due attention to the cut-off date;
- is carrying out monthly reconciliations between suppliers' statements and the DAS to ensure that creditors balances are being reported properly;
- is maintaining a log of all invoices received by the Institute and all invoices are being duly certified correct by the appropriate level of authority before being processed for payment;
- staff from various sections have been provided with training on basic accounting co-ordinated through IPS;
- all staff are aware of the accrual accounting circulars;
- a new accounting system will be implemented shortly that will further enhance accrual accounting.

IMPLEMENTED OR DATE BY WHEN

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ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>From the sample of a total of 40 creditors, the NAO could not confirm the existence of balances of 12 and 9 suppliers selected for the MOT and ITS respectively, since the suppliers in question did not submit a response confirming their outstanding balance.</p>			<p>Confirmation of amounts due to suppliers could have been confirmed through alternative means such as contractual obligations, existing invoices etc. Moreover the Treasury's guidebook does not oblige ministries to seek statements from suppliers.</p>	
<p>Implementation of Accrual Accounting Attention is to be given by Central Government to ensure that prior to the implementation of new systems within Ministries and Entities, a capacity building programme is undertaken thereby ensuring that an adequate number of qualified personnel is available to be able to lead this transition.</p>	<p>✓</p>		<p>MOT recruited 3 new staff members to assist in the transition to accrual accounting.</p>	<p>Implemented</p>
<p>Creditors as at Year End not reported in the respective Return In view of Government's move towards accrual accounting, the responsible officers are to ascertain that all unpaid invoices as at the date of submission of the returns are duly included. In addition, a proper mechanism should be in place to ensure that amounts not yet invoiced are accurately accrued for at each financial reporting period.</p>	<p>✓</p>		<p>A list of pending invoices is being maintained by the DCS. MOT will ensure that the Creditors' Return is filled in completely and accurately. MOT will ensure that the Accruals' Return is filled in completely and accurately. Invoices are being rubber-stamped with the date of receipt. MOT is ensuring that all invoices are received in time to report accurate figures.</p>	<p>Implemented July 2019 July 2019 Implemented Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>The Corporate Services Directorate within MOT communicated with various sections on the requirements related to the procurement, commitments and proper reporting.</p> <p>Communication between all sections of the Directorates has been enhanced so that all invoices are duly forwarded to the DCS Accounts Section.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Amounts erroneously accounted for as creditors</p> <p>The exercise on creditors and accruals at year-end should be thorough, in order to publish accurate figures under the respective categories.</p>	✓		<p>Invoices are being rubber-stamped with the date of receipt.</p> <p>MOT will ensure that the Creditors' and Accruals' Returns are filled in completely and accurately, giving due attention to the cut-off date.</p>	<p>Implemented</p> <p>July 2019</p>
<p>Results of Circularisation Letters</p> <p>A regular reconciliation is to be carried out through a Payables Control Account to ensure completeness and accuracy of the related figures. To this effect, regular statements from all suppliers are to be obtained to reconcile the respective balances.</p>	✓		<p>All suppliers' statements received are being checked and followed up as necessary.</p> <p>MOT will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of the Creditors' Return. A circular has been issued in this regard.</p>	<p>Implemented</p> <p>July 2019</p>

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RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>From the sample of a total of 40 creditors, the NAO could not confirm the existence of balances of 12 and 9 suppliers selected for the MOT and ITS respectively, since the suppliers in question did not submit a response confirming their outstanding balance.</p>			<p>In view that the Treasury's guide book does not oblige ministries to seek statements from suppliers, confirmation of amounts due to suppliers could have been confirmed through alternative means, such as contractual obligations, existing invoices etc.</p>	
<p>Implementation of Accrual Accounting Attention is to be given by Central Government to ensure that prior to the implementation of new systems within Ministries and Entities, a capacity building programme is undertaken thereby ensuring that an adequate number of qualified personnel is available to be able to lead this transition.</p>	<p>✓</p>		<p>A new accounting system will be in place. Staff has attended compulsory training on basic accounting procedures.</p>	<p>January 2020 Implemented</p>
<p>Lack of Awareness of Relevant Circulars Officers in the Accounts Department are to familiarise themselves with the relevant Circulars, particularly in view of the transition to accrual accounting. Furthermore, staff working in this field should be encouraged to attend training sessions provided by Government in this regard.</p>	<p>✓</p>		<p>Staff has been made aware of circulars related to accrual accounting. Staff has attended compulsory training on basic accounting.</p>	<p>Implemented Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Creditors as at Year End not reported in the respective Return</p> <p>In view of Government's move towards accrual accounting, the responsible officers are to ascertain that all unpaid invoices as at the date of submission of the returns are duly included. In addition, a proper mechanism should be in place to ensure that amounts not yet invoiced are accurately accrued for at each financial reporting period.</p>	✓		<p>ITS is keeping a log of all invoices received.</p> <p>ITS is ensuring that the Creditors' and Accruals' Returns are filled in completely and accurately, giving due attention to the cut-off date.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Results of Circularisation Letters</p> <p>A regular reconciliation is to be carried out through a Payables Control Account to ensure completeness and accuracy of the related figures. To this effect, regular statements from all suppliers are to be obtained to reconcile the respective balances.</p>	✓		<p>Monthly reconciliations between suppliers' statements and DAS are being carried out.</p>	<p>Implemented</p>
<p>Deficiencies in the Creditors' Control Procedure</p> <p>Full audit trail on the upkeep of creditors is to be maintained to ensure that a complete history of creditors is maintained. Moreover, invoices are to be duly authorised and endorsed by the appropriate level of authority before processed for payment.</p>	✓		<p>An excel sheet including the logging of the invoices received by ITS is being maintained.</p> <p>Invoices are being duly certified correct by the appropriate level of authority before processed for payment.</p>	<p>Implemented</p> <p>Implemented</p>

MHAS
MINISTRY FOR HOME AFFAIRS AND NATIONAL SECURITY (I) -
CREDITORS AND ACCRUALS

Government departments are obliged to follow the guidelines outlined in MF Circular No. 10/2001 entitled 'Government Accrual Accounting: Procedures for the Control of Debtors and Creditors'. These require ministries and departments to adopt a proper set of procedures for the adequate management of debtors and creditors and to effect timely submissions of returns to the Accountant General, amongst others. In accordance with Treasury Circular No. 17/2016 – 'Treasury Financial Data Transmission Calendar for 2017', the analysis of creditors and accrued expenditure as at end of December 2017 was to be submitted by 15th January 2018.

The purpose of the NAO audit covers the Ministry for Home Affairs and National Security (MHAS) including the relative departments and entities falling under its responsibility, namely:

- Armed Forces of Malta
- Civil Protection Department
- Correctional Services
- Malta Police Force
- Probation and Parole Services

The objective of this audit was to evaluate compliance with the applicable provisions regulating the preparation and submission of information relating to creditors and accruals for the year 2017. Furthermore, the effectiveness of procedures and existing controls was to be determined.

Follow-up Action

The IAID carried out a follow-up exercise on the accrual accounting templates submitted to Treasury for Quarter 4 2018 by the Ministry, the Armed Forces of Malta, the Civil Protection Department, the Correctional Services, and the Malta Police Force.

Fieldwork was carried out between February and March 2019. The IAID held meetings with staff and reviewed the documentation provided. During this assignment, particular attention was given to the cut-off dates. In order to address the recommendations outlined in this report, training on accrual accounting has been provided to all staff concerned. All necessary checks for accuracy are being carried out prior to effecting payments. Moreover, invoices are being rubber-stamped with the date of receipt to reduce the risks associated with cut-off dates. An action plan was drawn up in respect of the pending recommendations.

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Divergences between Confirmation Letters received and balances in Creditors' Lists</p> <p>Particular attention is to be given to the correct application of cut-off procedures, to ensure that expenditure pertaining to a particular period is recorded accordingly. A clear distinction is to be made between payables and accruals, so that invoices dated before year-end and still unpaid are accounted for as creditors whilst amounts due, which are not invoiced by the end of the period, are accrued for.</p> <p>The following recommendations may also be considered in order to enhance the accuracy of amounts recorded in the return and facilitate the transition from cash to accruals based accounting:</p> <ul style="list-style-type: none"> • Adequate training is to be given to accounting staff. • Local Purchase Orders are to be raised prior to every procurement. Besides ensuring that funds are committed, this facilitates the accounting procedures at year-end. • Any computations are to be checked for accuracy prior to effecting payment and pending amounts settled without undue delay. 			<p>MHAS has obtained detailed guidelines on accruals accounting from Treasury. Ministry is to ensure compliance.</p> <p>Training on Accrual Accounting has been provided to all staff concerned.</p> <p>Management will ensure that Local Purchase Orders are raised prior to procurement.</p> <p>MHAS is carrying out the necessary checks for accuracy prior to effecting payments. Invoices are being settled without undue delay.</p>	<p>July 2019</p> <p>Implemented</p> <p>July 2019</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <ul style="list-style-type: none"> Quarterly statements are to be requested from suppliers and the respective balances reconciled. Procedures are to be in place so that invoices reach the Accounts Section within a reasonable time to be properly accounted for at the end of the financial year. Invoices are to be rubber stamped with the date of receipt, thus enabling external parties to confirm whether these were received prior to or following the submission of the respective returns to Treasury. 			<p>MHAS will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of the Creditors' Return.</p> <p>An email is sent to main suppliers asking them to submit pending invoices prior to the end of each quarter.</p> <p>Invoices are being rubber-stamped with the date of receipt.</p> <p>MHAS are rubber-stamping invoices at the Accounts Section with the date of receipt to reduce the risks associated with the cut-off dates.</p> <p>MHAS will ensure that the creditors and accruals returns are filled in completely and accurately.</p> <p>MHAS will ensure that all invoices are received in time, in order to report accurately.</p> <p>MHAS settled the amounts due to officers.</p>	<p>July 2019</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>July 2019</p> <p>July 2019</p> <p>Implemented</p>

MHAS
ARMED FORCES OF MALTA (II) -
CREDITORS AND ACCRUALS

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Divergences between Confirmation Letters received and balances in Creditors' Lists

Particular attention is to be given to the correct application of cut-off procedures, to ensure that expenditure pertaining to a particular period is recorded accordingly. A clear distinction is to be made between payables and accruals, so that invoices dated before year-end and still unpaid are accounted for as creditors whilst amounts due, which are not invoiced by the end of the period, are accrued for.

The following recommendations may also be considered in order to enhance the accuracy of amounts recorded in the return and facilitate the transition from cash to accruals based accounting:

- Adequate training is to be given to accounting staff
- Local Purchase Orders are to be raised prior to every procurement. Besides ensuring that funds are committed, this facilitates the accounting procedures at year-end.



AFM personnel have attended a course in Basic Accounting Principles.
Training on Accrual Accounting has been provided to all staff concerned.
Local Purchase Orders are raised prior to procurement to commit funds.

Implemented
Implemented
Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<ul style="list-style-type: none"> Any computations are to be checked for accuracy prior to effecting payment and pending amounts settled without undue delay. 			<p>The necessary checks for accuracy are being carried out prior to effecting payments.</p>	Implemented
<ul style="list-style-type: none"> Quarterly statements are to be requested from suppliers and the respective balances reconciled. 			<p>Invoices are being settled without undue delay.</p>	Implemented
<ul style="list-style-type: none"> Procedures are to be in place so that invoices reach the Accounts Section within a reasonable time to be properly accounted for at the end of the financial year. 	✓		<p>AFM will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of Creditors' Return.</p>	July 2019
<ul style="list-style-type: none"> Invoices are to be rubber stamped with the date of receipt, thus enabling external parties to confirm whether these were received prior to or following the submission of the respective returns to Treasury. 			<p>A reminder is being sent every quarter to divisions so that any pending invoices are forwarded at the end of each period.</p>	Implemented
			<p>Invoices are being rubber stamped with date of receipt and endorsed by two officials.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Divergences between Confirmation Letters received and balances in Creditors' Lists

Particular attention is to be given to the correct application of cut-off procedures, to ensure that expenditure pertaining to a particular period is recorded accordingly. A clear distinction is to be made between payables and accruals, so that invoices dated before year-end and still unpaid are accounted for as creditors whilst amounts due, which are not invoiced by the end of the period, are accrued for.

The following recommendations may also be considered in order to enhance the accuracy of amounts recorded in the return and facilitate the transition from cash to accruals based accounting:

- Adequate training is to be given to accounting staff.
- Local Purchase Orders are to be raised prior to every procurement. Besides ensuring that funds are committed, this facilitates the accounting procedures at year-end.
- Any computations are to be checked for accuracy prior to effecting payment and pending amounts settled without undue delay.



The Malta Police Force is to ensure that the creditors and accruals returns are filled in completely and accurately, giving due attention to the cut-off date.

July 2019

Implemented

Training on Accrual Accounting has been provided to all staff concerned.

Implemented

Local Purchase Orders are raised prior to procurement to commit funds.

Implemented

The Malta Police Force is carrying out the necessary checks for accuracy prior to effecting payments.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<ul style="list-style-type: none"> Quarterly statements are to be requested from suppliers and the respective balances reconciled. 			<p>Management will send a reminder every quarter to all Malta Police units to forward any pending invoices at the end of each period.</p>	July 2019
<ul style="list-style-type: none"> Procedures are to be in place so that invoices reach the Accounts Section within a reasonable time to be properly accounted for at the end of the financial year. 			<p>The Malta Police Force will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of the Creditors' Return.</p>	July 2019
<ul style="list-style-type: none"> Invoices are to be rubber stamped with the date of receipt, thus enabling external parties to confirm whether these were received prior to or following the submission of the respective returns to Treasury. 			<p>The various sections within the Malta Police will ensure that invoices are sent on time to the Accounts Section as per issued instructions.</p> <p>Invoices are being rubber stamped with the date of receipt.</p>	July 2019 Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Estimated Amount approved for Negotiated Procedure Exceeded</p> <p>The Ministry is to ensure that approvals obtained are sufficient to cover planned expenditure. Any shortfalls are to be addressed prior to entering into additional commitments.</p>	<p style="text-align: center;">✓</p>		<p>The Office of the CIO within MHAS has ensured that when the planned expenditure is exceeded due to unforeseen circumstances beyond the control of the Contracting Authority, the necessary approvals are obtained before entering into any commitments. In this regard, the said Office is to liaise with the Ministerial Procurement Unit (MPU) within MHAS to ensure that any procurement is carried out in line with prevailing regulations.</p>	<p>Ongoing</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Divergences between Confirmation Letters received and balances in Creditors' Lists

Particular attention is to be given to the correct application of cut-off procedures, to ensure that expenditure pertaining to a particular period is recorded accordingly. A clear distinction is to be made between payables and accruals, so that invoices dated before year-end and still unpaid are accounted for as creditors whilst amounts due, which are not invoiced by the end of the period, are accrued for.

The following recommendations may also be considered in order to enhance the accuracy of amounts recorded in the return and facilitate the transition from cash to accruals based accounting:

- Adequate training is to be given to accounting staff.
- Local Purchase Orders are to be raised prior to every procurement. Besides ensuring that funds are committed, this facilitates the accounting procedures at year-end.



The Civil Protection Department will ensure that the creditors and accruals returns are filled in completely and accurately, giving due attention to the cut-off date.

July 2019

Implemented

Training on Accrual Accounting has been provided to all staff concerned.

Implemented

Management will ensure that Local Purchase Orders are raised prior to procurement.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<ul style="list-style-type: none"> Any computations are to be checked for accuracy prior to effecting payment and pending amounts settled without undue delay. Quarterly statements are to be requested from suppliers and the respective balances reconciled. Procedures are to be in place so that invoices reach the Accounts Section within a reasonable time to be properly accounted for at the end of the financial year. Invoices are to be rubber stamped with the date of receipt, thus enabling external parties to confirm whether these were received prior to or following the submission of the respective returns to Treasury. 			<p>The Civil Protection Department is carrying out the necessary checks for accuracy prior to effecting payments.</p> <p>Invoices are being settled without undue delay.</p> <p>Management prepared the letter in respect of the quarterly statements.</p> <p>MHAS will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of the Creditors' Return.</p> <p>A Standing Order requesting all invoices to be submitted to the Accounts section by the end of each month was issued.</p> <p>Management will ensure compliance.</p> <p>Invoices are being rubber stamped with the date of receipt.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>July 2019</p> <p>Implemented</p> <p>Implemented</p>

MHAS
CORRECTIONAL SERVICES (V) -
CREDITORS AND ACCRUALS

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Divergences between Confirmation Letters received and balances in Creditors' Lists

Particular attention is to be given to the correct application of cut-off procedures, to ensure that expenditure pertaining to a particular period is recorded accordingly. A clear distinction is to be made between payables and accruals, so that invoices dated before year-end and still unpaid are accounted for as creditors whilst amounts due, which are not invoiced by the end of the period, are accrued for.

The following recommendations may also be considered in order to enhance the accuracy of amounts recorded in the return and facilitate the transition from cash to accruals based accounting:

- Adequate training is to be given to accounting staff.
- Local Purchase Orders are to be raised prior to every procurement. Besides ensuring that funds are committed, this facilitates the accounting procedures at year-end.



Correctional Services will ensure that the creditors and accruals returns are filled in completely and accurately, giving due attention to the cut-off date.

July 2019

Implemented

Training on Accrual Accounting has been provided to all staff concerned.

Management will ensure that the incidence of Local Purchase Orders that are raised prior to procurement is kept to a minimum.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<ul style="list-style-type: none"> Any computations are to be checked for accuracy prior to effecting payment and pending amounts settled without undue delay. 			<p>Correctional Services are carrying out the necessary checks for accuracy prior to effecting payments.</p> <p>Invoices are being settled without undue delay.</p>	Implemented
<ul style="list-style-type: none"> Quarterly statements are to be requested from suppliers and the respective balances reconciled. 			<p>Correctional Services carries out an exercise whereby suppliers' statements received are being checked and followed-up as necessary.</p>	Implemented
			<p>Correctional Services will obtain quarterly statements from suppliers to reconcile the respective balances prior to the submission of the Creditors' Return.</p>	July 2019
<ul style="list-style-type: none"> Procedures are to be in place so that invoices reach the Accounts Section within a reasonable time to be properly accounted for at the end of the financial year. 			<p>Correctional Services is ensuring that all invoices are received in time, in order to report accurate figures.</p>	July 2019
<ul style="list-style-type: none"> Invoices are to be rubber stamped with the date of receipt, thus enabling external parties to confirm whether these were received prior to or following the submission of the respective returns to Treasury. 			<p>A new logistics officer has been assigned the procurement duties.</p>	Implemented
			<p>Invoices are being rubber-stamped with the date of receipt.</p>	Implemented

MHAS
INFORMATION AND COMMUNICATION
TECHNOLOGY - EXPENDITURE AUDIT

The audit covered expenditure incurred by the Ministry for Home Affairs and National Security (MHAS) in 2017, from Capital Vote XV, Line Item 7001 - Information and Communication Technology (ICT). The Chief Information Officer (CIO) prepares the total ICT budget requirements for the following year and submits it to the Budget Office within the Ministry for Finance (MFIN) through the Malta Information Technology Agency. This would cover the requirements of MHAS, as well as the five entities falling under its portfolio, namely the Armed Forces of Malta, the Civil Protection Department, the Correctional Services, the Malta Police Force, and the Probation and Parole Services.

The objectives of the NAO audit were to verify that, during the 2017 financial year, expenditure incurred on ICT was duly authorised and properly accounted for, and that procurement was in line with the regulations, as well as other relevant circulars.

Follow-up Action

The objective of the testing carried out by the IAID was to determine whether the Office of the Chief Information Officer has taken the necessary corrective actions to address the recommendations put forward by the NAO. The IAID held meetings with key personnel and reviewed documentation provided.

The IAID could not carry out the necessary testing on inventory given that the compilation of the Fixed Asset Register is still in progress. Fieldwork revealed that the MHAS is liaising with the Treasury in order to organise training on inventory for the responsible officials. The Office of the CIO will liaise with the Ministerial Procurement Unit (MPU) within the MHAS to ensure that any procurement is carried out in line with prevailing regulations. An action plan was drawn up with respect to the pending recommendations.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

<p>Inadequate Inventory Management</p> <p>A proper fixed assets register is to be compiled in accordance with the respective guidelines without undue delay. Besides exerting better management and control over the custody of Government-owned assets, this will assist the Police Force in preparation for the forthcoming implementation of the accrual accounting across government.</p>	<p style="text-align: center;">✓</p>		<p>The office of the CIO is in the process of compiling a proper fixed asset register in line with MF 14/1999. In this regard, the Office of the CIO is liaising with the responsible officers at the Malta Police Force.</p> <p>The Malta Police Force (MPF) will be maintaining a proper fixed asset register in line with MF Circular 14/1999.</p> <p>Room inventory lists will be compiled, and MHAS will be ensuring that these are accurate and complete in line with the pertinent circular.</p> <p>Malta Police officers in charge of inventory are liaising with the Office of the CIO in order to ensure adherence with the pertinent Circular.</p> <p>The Malta Police officers are aware of the pertinent regulations, and are in the process of updating the respective inventory database. The Quartermaster is responsible to consolidate the inventory database. MHAS are liaising with Treasury in order to organise training on inventory for the respective officials.</p>	<p>September 2019</p> <p>September 2019</p> <p>December 2019</p> <p>Implemented</p> <p>December 2019</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Stock of Unutilised Computers</p> <p>In view that the supplier (through Malta Information Technology Agency) was bound by contract to deliver the computer orders within a reasonable timeframe in line with Schedule A, Article 1.9, one is encouraged to keep stock to a minimum and request quantities from the supplier as necessary.</p>	✓		<p>The MPF will ensure that the Fixed Asset Register (FAR) is accurate and complete in order to have full visibility of utilised stock. The MPF will be keeping stock to a minimum and requesting quantities from the supplier as necessary.</p>	Ongoing
CONTROL ISSUES				
<p>Approval not obtained for Maintenance Expenditure of Handheld Devices</p> <p>Procurement is to be invariably made in accordance with the prevailing regulations and the necessary approvals obtained before commitments are entered into.</p>	✓		<p>The Office of the CIO is ensuring that the procurement regulations are adhered to.</p> <p>In this regard, the said office will liaise with the Ministerial Procurement Unit (MPU) within MHAS to ensure that any procurement is carried out in line with prevailing regulations.</p> <p>The GCC approval to enter into a negotiated procedure was obtained to cover the maintenance agreement as from 1st June 2018 to 31st May 2020.</p>	Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Estimated Amount approved for Negotiated Procedure Exceeded</p> <p>The Ministry is to ensure that approvals obtained are sufficient to cover planned expenditure. Any shortfalls are to be addressed prior to entering into additional commitments.</p>	<p>✓</p>		<p>The Office of the CIO within MHAS has ensured that when the planned expenditure is exceeded due to unforeseen circumstances beyond the control of the Contracting Authority, the necessary approvals are obtained before entering into any commitments. In this regard, the said Office is to liaise with the Ministerial Procurement Unit (MPU) within MHAS to ensure that any procurement is carried out in line with prevailing regulations.</p>	<p>Ongoing</p>

The Malta Police General Fund (MPGF) was set up in November 1919 and has, to date, been managed by the Commissioner of Police for the general benefit of the Force. All members of the Force are to make a mandatory financial contribution every three months—the amount varies according to the respective grade.

The main purpose of the NAO audit was to assess the level of internal controls prevailing in the management of the MPGF, and to determine whether day-to-day operations reflect efficient administration of the fund, in line with the applicable circulars.

Follow-up Action

The IAID carried out checks to determine whether the necessary corrective actions were taken in line with NAO recommendations. Meetings were held with both the accounting officer and the officer in charge of the contributions. It was established that the ad hoc committee members have decided that the contribution paid by members of the force is to remain unchanged. On the other hand, a number of other issues were addressed by the ad hoc committee. Budgets were drawn up for the hospitality events organised in connection with the Police Day and Christmas. The expenses that could be covered by the fund were also established.

An action plan has been prepared with respect to all recommendations that have not yet been implemented.

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>The contribution due to the Malta Police Association (MPA) is stipulated in Circular No. 91/98; however, no other documentation was available with respect to the relationship between the latter and the Malta Police Force (MPF), setting out the respective obligations. Moreover, the outstanding amount of €19,174, due to MPA since 2014, was not substantiated.</p>			<p>Discussions are in a very advanced stage with MPA to have the amount waived off.</p>	
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KEY ISSUE

<p>Financial Sustainability of the Malta Police General Fund</p> <p>NAO is of the understanding that the Committee will be revising the amount of contribution to be paid by the Members of the Force and to establish the maximum expenditure for each party organized.</p> <p>However, a concrete action plan will be required to accumulate enough funds to sustain the purpose of the MPGF whilst also settling the amounts promised to Mutual Fund Members.</p>	<p style="text-align: center;">✘</p>	<p>The ad-hoc Committee members have decided that the contribution paid by members of the force is to remain unchanged.</p>	<p>Nevertheless, the Committee has established the parameters on each hospitality event, and communicated its decision on 28th January 2019.</p> <p>Management will ensure compliance.</p> <p>An Action Plan has been prepared.</p> <p>Payments are being made to pensioners (starting from the oldest claims) and the heirs of deceased serving members from the 35% apportionment allocated for this purpose under the fund.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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CONTROL ISSUES

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Unclear Purpose of the Fund</p> <p>When preparing its budget, MPF is to ensure that it gives priority to meet its financial commitments with the members of the Force before establishing budgets for other activities.</p>	✓		<p>An Action Plan has been prepared.</p> <p>The expenses that can be covered by this fund were listed and agreed in the ad-hoc Committee.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Fragmanted Accounting Information</p> <p>NAO reiterates the need that financial records are drawn up on an accruals basis. Ideally, a Statement of Financial Position, wherein all assets and liabilities, including prepayments, accruals, receivables and payables amongst others, shall accompany such records.</p>	✓		<p>Financial records are to be drawn up on an accruals basis by adequately-trained officials. These records are to be accompanied by a Statement of Financial Position.</p> <p>Training on accruals was provided to all staff concerned.</p>	<p>July 2019</p> <p>Implemented</p>
<p>Christmas and Police Day Social Activities</p> <p>MPF is to ascertain that all expenses are thoroughly checked to ensure their correctness prior to the respective payment. They are also expected to be endorsed, evidencing such verifications.</p>	✓		<p>MPF will ensure that the number of guests being invited is communicated to the officer in charge ORC and filed accordingly.</p> <p>MPF will verify that:</p> <ul style="list-style-type: none"> a) the quantities ordered are checked upon delivery at the reception; b) the quantities of consumed beverages are verified at the end of the event; and c) amounts invoiced are correct. <p>These verifications will be documented and endorsed by an official independent from the ORC.</p>	<p>July 2019</p>

MFH
MOUNT CARMEL HOSPITAL -
STOCK OF MEDICINES AND SURGICAL MATERIALS

According to its mission statement, Mount Carmel Hospital aims to promote mental health within the Maltese society by providing, through specialist multi-disciplinary teams, a comprehensive and integrated range of community and hospital services. Whilst MCH requests and receives medicines and surgical materials solely from the Central Procurement and Supplies Unit (CPSU) within the Ministry for Health, no payments are effected by the former for such stock. Most of the medicine stock is held in two separate locations at MCH, referred to as the Pharmacy and the Main Store, whilst minimal stock levels, as required, are held in the treatment rooms of the respective wards. Similarly, surgical materials are held in another store, with the wards keeping a minimal amount.

The NAO audit was carried out to verify the adequacy and effectiveness of the stock control system in place at MCH with regard to medicines and surgical materials.

Follow-up Action

The IAID carried out testing to determine whether MCH implemented actions in line with the recommendations put forward by NAO. In this regard, IAID carried out:

- a) meetings with MCH management;
- b) review of documentation provided; and
- c) on-the-spot checks in stores and wards (including stock counts).

Testing revealed that measures have been undertaken by the management to improve security control at MCH stores. CCTV cameras and a Radio Frequency Identification System (RFID) are scheduled to be installed to further improve security. Works are in progress to provide the MMMU (Medical Materials Management Unit) stores with an additional location.

The management has drawn up SOPs related to pharmaceutical audits at ward level, stock control procedures in stores, and collection exercises for any expired medicines conducted by the pharmacy, including investigations and treatment of any discrepancies noted. Dangerous drugs are being kept in labelled containers indicating expiry dates and batch numbers. Furthermore, the pharmacy has also implemented three procedures to consolidate inventory control and the prevention of expiration of general and dangerous drugs.

An action plan was compiled to address the recommendations that have not yet been implemented.

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUE

<p>Inadequate Security Measures for Stores</p> <p>Security control at the stores is to be enhanced, ideally through the installation of alarms and/or cameras, as well as with the introduction of a biometric reader to record entrance thereto, thus providing a safer and more secure environment.</p> <p>In the meantime, the Stores' keys are to be retained securely in the Security's Office and the register endorsed accordingly when access is requested, to ensure that adequate controls are in place.</p>	<p>✓</p>		<p>CCTVs and a Radio Frequency Identification System (RFID) will be installed at both the medicines and the surgical materials stores.</p> <p>Pharmacy keys are being retained in the Security's Office. A register is being maintained to keep records of movement of keys. Once deposited at the Security's Office, keys are sealed in an envelope.</p> <p>A CCTV system will be installed.</p> <p>In case the keys are required when the stores are closed, the keys are collected and signed for by the officer. The said officer is accompanied by a security officer at all times in the stores.</p>	<p>December 2019</p> <p>Implemented</p> <p>December 2019</p> <p>Implemented</p>
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CONTROL ISSUES

<p>No Inspections of Wards' Stock</p> <p>Periodic inspections of storage areas in the hospital wards are to be undertaken to ensure that adequate levels are maintained and stored, as well as to monitor expiration dates. NAO also recommends the inspection of items stored by the wards by retaining checklist records, indicating the inspection date, the</p>	<p>✓</p>		<p>Pharmaceutical audits in hospital wards are being conducted by the Pharmacy. Any findings and recommendations are being documented.</p> <p>Pharmaceutical audit reports are being submitted to the nursing management and the respective ward charge nurse for the required corrective action.</p>	<p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
respective ward and any relevant remarks.	✓		<p>An SOP with respect to the pharmaceutical audits at ward level has been drawn up. Management will ensure compliance.</p> <p>Audits will be carried out on surgical materials by the MMMU staff.</p> <p>An SOP with respect to audits to be carried out by MMMU on surgical materials in stock wards is now in place. Management will ensure compliance.</p> <p>Management will ensure that the necessary corrective action is taken, following audit reports on pharmaceutical items. Action taken will be documented.</p> <p>Management will ensure that the necessary corrective action is taken, following audit reports on surgical materials. Action taken will be documented.</p>	<p>Implemented</p> <p>July 2019</p> <p>Implemented</p> <p>September 2019</p> <p>September 2019</p>
<p>Ineffective Stock Control in Wards</p> <p>Stock control in wards is to be improved to ascertain adequate supply and usage as well as prevention of expiration of products.</p>	✓		<p>The Pharmacy adopted three procedures, depending on the nature of operations of the ward:</p>	<p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Traceability of Medicines not extended up to Patient Dispensing Level</p> <p>NAO acknowledges that, as from 2018, a new procedure has been adopted wherein wards are being requested to make their monthly order by patient name on a prescribed spreadsheet. However, in order to have a complete audit trail, the patient's medication profile is to be recorded in the System, so that items ordered from the Pharmacy for the respective ward are directly assigned to the respective patient.</p>			<p>a) A scheduled order system wherein medicines are to be ordered from the pharmacy against the patients' name and respective medicinal requirements;</p> <p>b) A ward top-up service conducted by the Pharmacist; and</p> <p>c) A requisition book.</p> <p>These procedures among other medical objectives, are contributing to consolidate inventory control and the prevention of the expiration of medicines.</p> <p>Management is ensuring that accurate records are kept in wards for dangerous drugs.</p>	<p>Implemented</p>
	<p>✓</p>		<p>Distribution of medicines to patients at ward level are documented on treatment charts by nursing staff, although this is not used for stock control purposes.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
	x	<p>No IT system is in place to implement stock control system at ward level. Implementation of such a system would not only require IT support, but also for the hospital management to involve nursing management in discussions in order to assure that such a system is implemented as seamlessly as possible. Currently, this system is not present in any local hospital.</p>		
<p>Discrepancies found during Physical Stocktaking</p> <p>Returns from the wards are expected to be accounted for.</p>	✓		<p>A sample of different stock items from surgical materials are being checked throughout the year to ensure that discrepancies are identified as early as possible.</p> <p>Any resulting discrepancies will be investigated, and proper reporting will be kept for every stock count carried out.</p> <p>Management will ensure that the existing SOPs on stock takes carried out on surgical materials is improved to include other details, especially the investigation, outcomes, and treatment of any discrepancies.</p> <p>MMMU will ensure that stock records are accurately kept.</p>	<p>Implemented</p> <p>Implemented</p> <p>September 2019</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

<p>Random spot checks are to be carried out in a more frequent manner.</p> <p>Furthermore, the stocktaking process is only complete if discrepancies are investigated and explanations are provided and documented.</p>			<p>Works to provide the MMMU stores with an additional location have been completed.</p> <p>MMMU will ensure that overall stock records are accurately kept.</p> <p>Existing SOPs will be further developed to encompass the entire procedure and responsibilities involved.</p> <p>The MCH Pharmacy is conducting random periodical stock counts on a sample of medicines. Any detected discrepancies are being investigated.</p> <p>Details of the investigation and the action taken in respect of any discrepancies are being recorded to enhance audit trail.</p> <p>An SOP with respect to stock counts on a sample of medicines is now in place. Management will ensure compliance.</p> <p>The Pharmacy is investigating any discrepancies noted.</p> <p>Details of the investigation and the action taken in respect of any identified discrepancies are being recorded to enhance audit trail.</p>	<p>Implemented</p> <p>September 2019</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Inadequate Back-up Provision in case of Power Failure</p> <p>In view of the relatively high cost of refrigerated medicines, generators are to be serviced on a regular basis so as to ensure a constant supply of electricity, thus avoiding interruption of treatment to patients.</p>	✓		<p>Visual inspections are being carried out monthly.</p> <p>Major services have been carried out.</p>	<p>Implemented</p> <p>Implemented</p>
<p>MANAGEMENT MEDICAL MATERIAL UNIT - SPECIFIC CONTROL ISSUES</p>				
<p>Control Weaknesses</p> <p>MCH is to enhance internal controls and address the issue of lack of segregation of duties, by, as far as possible, separating the duties involved in procurement process.</p> <p>SOPs are to be compiled and revised periodically to ensure uniformity of processes and business continuity. These will also be adequate tools to transfer knowledge, especially in cases where new officials are assigned to the job.</p> <p>Training is also to be provided to all officials using MCH's databases and systems so as to be able to capture the required information and generate the necessary reports.</p>	✓		<p>SOPs were drawn up to guide MMMU employees.</p> <p>Management will ensure compliance.</p> <p>MCH will ensure duties at the MMMU are adequately segregated.</p> <p>The Chief Nursing Manager is liaising with the IT Department for the provision of such training.</p>	<p>Implemented</p> <p>July 2019</p> <p>December 2019</p>

IMPLEMENTED OR DATE BY WHEN

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<p>Inadequate Storage Location</p> <p>An adequate storage location is to be sought to prevent any potential hazards or accidents. This will also help to achieve an efficient flow of materials into and out of the store, as well as to be able to accommodate more stock as necessary.</p>	<p>✓</p>		<p>MCH will ensure that more appropriate premises are provided to the MMMU stores.</p>	<p>September 2019</p>
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PHARMACY - SPECIFIC CONTROL ISSUES

<p>Expired Medicine in Wards</p> <p>Ideally, non-usable and expired medication is stored in a separate secure designated location, under the control of the Pharmacy, until its disposal. A record of all stock in this area is to be maintained by the respective personnel.</p>	<p>✓</p>		<p>Collection exercises are being organised by the Pharmacy in all MCH wards for both dangerous and non-dangerous drugs.</p> <p>MCH Pharmacy will ensure that collection exercises are more frequent and held at preset periodical intervals to be established in line with industry best practices.</p> <p>Expired medicines at wards are being properly segregated, marked, and sealed until a collection exercise is carried out by the Pharmacy.</p> <p>Expired medicines collected from the Pharmacy are being kept segregated and sealed in the Pharmacy Main Store until proper disposal.</p> <p>A record of expired stock in this area is being maintained by the MMMU officers.</p>	<p>Implemented</p> <p>July 2019</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Inappropriate Labelling of Medicines in Ward Treatment Rooms</p> <p>Nurses in charge of wards are to ascertain that adequate labelling of tablets is in place to ensure safe dispensing of medicine, minimise adverse effects, as well as maximise the benefits of the treatment.</p>	✓		<p>Dangerous drugs are being kept in labelled containers, indicating expiry dates and batch numbers.</p> <p>The medicines' name, expiry dates, and batch numbers of loose tablets are being indicated on the respective storage containers.</p>	<p>Implemented</p> <p>Implemented</p>
COMPLIANCE ISSUES				
<p>Statutory Stocktake Reports not submitted</p> <p>MCH is to ensure compliance with the established provisions in preparing and submitting these statutory stock reports on an annual basis.</p>	✓		<p>Annual stock takes with respect to the MMU and the Pharmacy stores for year 2018 have been submitted to the Auditor General.</p>	<p>Implemented</p>

Mater Dei Hospital is the primary state hospital serving mainly as an acute general hospital and offering a full range of services. The NAO audit covered fees charged by MDH to foreign nationals who do not qualify for free healthcare in terms of Subsidiary Legislation 35.28 Healthcare (Fees) Regulations. In view of the substantial increase in the arrears of revenue, the scope of the NAO audit was to analyse whether during the financial year 2017, the bills charged to foreign patients were exhaustive and properly raised, while revenue was duly received and satisfactorily accounted for. The administrative and management procedures covering the billing process, as well as the adequacy of internal controls, were also assessed.

Follow-up Action

Testing was carried out by IAID in order to determine whether action was taken with respect to issues of concern related to the revenue generated from foreign patients who do not qualify from free healthcare. In particular, NAO officers sought to determine whether controls were adequate to ensure that revenue was exhaustive, duly received, and correctly accounted for. The NAO report highlighted shortfalls in the IT systems used to generate invoices and differing interpretations of Subsidiary Legislation 35.28 Health Care (Fees). Control issues included an unreliable billing process, lack of bank reconciliations, lack of physical safeguards, and minimal efforts to collect dues.

IAID officers carried out interviews and performed walk-through tests on a sample of invoices generated during the months of January and February 2019. Interviews held revealed that Subsidiary Legislation 35.28 Health Care (Fees) is in the process of being superseded and modified both in terms of prices to be charged and also in terms of entitlement for free healthcare. In May 2018, MDH CEO set up a *Revenue Collection Department (RCD)* - two officers were recruited and training was given to directors, nurses, and allied health professionals as regards to controls within the billing system. The RCD also started to carry out daily visits on registered foreign patients and reviewing each individual debtor included in the debtors list so as to determine whether these are actually debtors or not and recoup monies due. A safe was also bought for the safeguarding of monies.

Further action to be taken is presented in this publication and includes the activation of the Billing Module within the CPAS system and the updating of the Standard Operating Procedures.

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LIMITATION ON SCOPE OF AUDIT

<p>The scope of the audit was hindered due to the following concerns, which are explained in further detail later on in this report:</p> <ul style="list-style-type: none"> • The two systems used to generate invoices do not interface with the clinical software systems; • Electronic information regarding medical services provided to a patient from the various departments within MDH is not integrated; • Bills charging foreign patients who are ineligible for free healthcare are generated on the basis of handwritten details listed on pre-printed forms. Thus, the completeness of the information is not guaranteed; • Differing interpretations are being given to the subsidiary legislation stipulating fees charged to foreign patients; 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>From discussions held with MDH senior management, it resulted that the objective of MDH is to integrate the clinical system (I Soft) with the CPAS Billing Module, such that patient details inserted in the clinical IT system with financial implications are reflected in the CPAS Billing Module.</p> <p>A Stakeholder's Working Group composed of representatives of the main users is to be set-up.</p> <p>The form used at present will be incorporated in the Billing Module.</p> <p>A Legislative Review Working Group was set up in order to discuss the necessary changes to improve the legislation.</p> <p>The proposed amended legislation will include a more comprehensive list of patients entitled to free health care and revised tariffs.</p>	<p>March 2020</p> <p>March 2020</p> <p>Implemented</p> <p>July 2019</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<ul style="list-style-type: none"> Various fees charged for different medical procedures are not covered by legislation and therefore are not legally sanctioned; and 	<p>X</p>	<p>Art. 3(1) of S.L. 35.28 Health Care (Fees) Regulations stipulates that “... the fee referred to under this subregulation is not inclusive of the cost of any surgical operation or of any extraordinary medical investigation which may be carried out on the patient or inmate”, thereby inferring that anything not specifically covered should be charged at cost.</p> <p>Apart from the separate lists of surgical operations and investigations procedures included in the legislation, Arts. 3(2) and (3) state that the cost of any prosthesis or implant shall be charged in addition to the relative operation fee, while any other extraordinary medical investigation or procedure shall be charged at cost – once again inferring that anything not specifically covered by the legislation should be charged at cost.</p>		
<ul style="list-style-type: none"> There is no control to ensure that all foreign patients who are not entitled to free treatment are billed accordingly upon discharge from MDH. 	<p>✓</p>		<p>The present procedure pertaining to the treatment of foreign patients is to be updated and enhanced as necessary. The procedure is then to be disseminated to all officers involved in the said procedure.</p>	<p>March 2020</p>

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<p>In view of the above, NAO could not confirm whether bills raised were comprehensive, income was adequately accounted for by MDH, and the respective deposits effected in the public account.</p>			<p>In May 2018, the Revenue Collection Department was set up and made answerable to the CEO. Two officers were recruited – including a Director and a Manager.</p> <p>Initiatives undertaken include:</p> <ul style="list-style-type: none"> • training given to directors, nurses and allied health professionals regarding controls within the system which have to be followed; • daily visits to the list of registered foreign patients; • debtors' list – review of each individual debtor to determine whether they are actually debtors or not, and to recoup monies due and • identified that the Billing Module was in fact available as part of the CPAS. 	<p>Implemented</p>
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KEY ISSUES

<p>Unreliable Billing Process</p> <p>Considering the increasing demand by foreigners for the Hospital's services, the establishment of a comprehensive patient billing system is to be given priority. This is expected to be automated and fully interfaced with other hospital information systems, such as medical records and clinical systems.</p>			<p>The activation of the Billing Module and the incorporation of the ROFP with the iSoft system will address this problem.</p>	<p>March 2020</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>NAO is aware that, in January 2016, a call for tender was issued by the Department of Contracts for the Provision of a MDH Billing Service, but a contract in this respect was still not signed by the time the audit was concluded. This Office requested information on the current status of the tender, since at one point it was put on hold, but no reply was forthcoming.</p> <p>To this effect, the Ministry is encouraged to take a decision on the best way forward without undue delay. The proposal should be cost-effective whilst also enabling the simplification of the revenue collection process, to enhance manageability.</p>	<p>✓</p>		<p>MDH management will ensure that the Billing Module is activated without undue delay. Furthermore, the module will be utilised from when the patient is registered, up to the issue of receipt.</p> <p>SOPs will make reference to the Billing Module and the respective application.</p>	<p>March 2020</p> <p>March 2020</p>
<p>No Reconciliation to ensure Completeness of Bank Deposits</p> <p>Management is to ensure that sound internal controls and a complete audit trail are implemented within the revenue recording process. In this respect, the use of spreadsheets is to be, as far as possible, avoided.</p>			<p>Different reconciliations are carried out between the invoices, the amount recorded on the DAS account, the amounts actually received, and the amounts deposited at the CBM to ensure that the amounts that should have been collected were in actual fact collected, recorded, and deposited.</p> <p>This requirement will be included in the SOP.</p>	<p>July 2019</p> <p>March 2020</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Untraced Documents leading to Loss of Revenue</p> <p>Although NAO acknowledges the difficulty involved in charging patients attending A&E department, more effort is expected to minimise the loss of revenue to Government in this regard.</p>	<p>✓</p>		<p>The Revenue Collection Department will be given view access to the clinical IT system - iSOFT. This would enable the Department to extract the necessary information to be able to bill the client in a more accurate and timely manner.</p>	<p>March 2020</p>
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CONTROL ISSUES

<p>Minimal Effort to Collect Public Dues</p> <p>Immediate action needs to be taken in order to curtail abuse of the system and thus maximise revenue collection. The drawing up of clear credit control policies and procedures, as well as the assignment of adequate competent staff for this specific task, is a dire need. Invoices are to be issued promptly upon discharge and patients are to be requested to settle bills prior to leaving the hospital, whilst the payment terms need to be clearly indicated on the invoices as 'immediate'.</p>	<p>✓</p>		<p>During February 2019 the Billing Section has conducted several training sessions, informing all relevant staff as to the procedures to be adopted when dealing with foreign clients.</p> <p>The Revenue Section has also introduced a system whereby a report is generated daily from the CPAS system listing the admission date, name, surname, and ID of the patient and the clinic where they have been admitted. Once the Revenue Manager uploads the report, he instructs the staff to effect ward rounds on the list of foreign patients to determine the status of the patient. If the patient is deemed as ineligible, the file is rubber stamped as 'Payment Required'. The Ward Clerk is then instructed to escort the patient to the Billing Section upon discharge.</p> <p>At the Billing Office, an officer has been assigned the duty to monitor amount due.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			<p>MDH has taken into consideration recommendations put forward by the NAO, and updated the procedure accordingly.</p> <p>The procedure will be included in the SOP.</p> <p>The MDH Finance Department is conducting monitoring exercises to ensure adherence with prescribed procedures.</p> <p>The Bill will clearly indicate the date when the patient was admitted, and the date when the bill was issued.</p> <p>The approved form should be authorised and incorporated as part of the Billing Module.</p> <p>Credit control procedures are to be formulated by the Revenue Section, and approved or otherwise by the Finance Department.</p>	<p>Implemented</p> <p>Implemented</p> <p>March 2020</p> <p>March 2020</p> <p>March 2020</p>
<p>Unrecoverable Long Outstanding Fees</p> <p>Long outstanding debts should be analysed and an adequate provision estimated in order to obtain a more realistic recoverable figure, until the amounts in question are eventually written off.</p>	<p>✓</p>		<p>MDH will formally compile a debt recovery programme in order to recoup costs spent treating patients who are not resident in Malta and not entitled for free care. MDH is seeking legal advice as regards to long outstanding debts.</p> <p>Work carried out will be formally documented and reviewed by the Manager Billing Section.</p>	<p>March 2020</p> <p>March 2020</p>

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RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Technical Concerns hindering the Completeness of Revenue</p> <p>Management is to obtain legal advice in order to address deficiencies and/or anomalies emanating from the legislation and, where necessary, draw up clear policies and procedures or amend legislation, as deemed necessary.</p> <p>Moreover, in order to avert fraud, the introduction of a proper employment verification system will ensure authenticity of the respective documentation produced by a foreign patient to support one's entitlement to free medical services in Malta.</p>			<p>Legislation is being updated as necessary.</p> <p>Detailed policies and procedures will be issued by the Entitlement Unit to ensure correct implementation of legislation.</p> <p>MDH management is to ensure that set criteria outlined both in the legislation and guidelines issued by the Entitlement Unit are reflected in the SOP.</p> <p>It is planned that this Entitlement Verification System will be fully operational by December 2019.</p> <p>The MDH is liaising with MFCS and the Commissioner for Revenue in this regard.</p> <p>MDH will ensure that the necessary checks are carried out.</p> <p>Staff working at the Revenue Office attended training regarding the eligibility of foreign patients for free health care.</p> <p>During February 2019, MDH Billing Section have organised and delivered several training sessions to MDH Directors, Heads of Allied Health and Charge Nurses regarding procedures to be adopted when billing patients not eligible for free health care.</p>	<p>December 2019</p> <p>December 2019</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Medical Fees not revised to cover Costs</p> <p>NAO acknowledges that the issue of increasing fees is potentially controversial.</p> <p>However, a revision of such charges by MDH and the pertinent authorities is encouraged so that amounts claimed would reflect more realistically the costs incurred.</p>	✓		<p>Legal advice regarding adjustments to be made to the legislation was obtained as regards both legislative and financial matters.</p> <p>A Legislative Review Working Group has been set up to discuss the way forward, both legally and administratively.</p> <p>Workings were compiled by the MFH Consultant and were used as the basis for this new Legal Notice.</p>	<p>Implemented</p> <p>Ongoing</p> <p>Ongoing</p>
<p>Commissioned Billing System Report not traced</p> <p>Reports are commissioned to enable management to take decisions and necessary action. Unless the relative documents are made available to those concerned, the commissioning of reports would merely constitute waste of taxpayer's money.</p>	✓		<p>Results emanating from any tests carried out will be clearly outlined and reported in writing to Senior Management, to be acted upon as necessary.</p> <p>Any weaknesses identified will be documented, and an action plan will be drawn up accordingly.</p>	<p>Noted</p>

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

<p>Other Billing Concerns</p> <p>Management is to take remedial action with respect to the enactment of the necessary legislative amendments.</p> <p>The pre-set costs recorded in the accounting package are to be the only source of applicable prices when generating invoices. Therefore, such records are to be reviewed and updated, as necessary.</p>	<p>✓</p>		<p>Working Group meetings will be formally documented and approved by all members.</p> <p>Approved proposed updates to the present charges will be reflected in the Billing Module.</p>	<p>March 2020</p>
<p>Accounting for Revenue not in line with the Financial Budget Estimates</p> <p>All revenue generated from hospital fees is to be posted to the appropriate account in order to ensure completeness and transparency.</p>	<p>✓</p>		<p>The procedure adopted to record revenue generated from hospital fees has been duly approved by the Budget Affairs Division.</p>	<p>Ongoing</p>

COMPLIANCE ISSUES

<p>Remittances to Bank not effected in a Timely Manner</p> <p>Unless otherwise authorised by the Permanent Secretary, bank deposits are to be made in accordance with prevailing regulations, to ensure that public funds are duly safeguarded.</p>	<p>✓</p>		<p>The Revenue Section are using a safe to safeguard monies.</p> <p>The procedure used will be documented in the SOP Revenue. The SOP also makes reference to internal control measures which are in place to ensure the completeness and accuracy of deposits made.</p>	<p>Implemented</p>
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RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			Monitoring is imperative to ensure that the prescribed controls are being carried out continuously and properly.	

**FOLLOW-UPS ON NAO
PERFORMANCE AUDITS,
INVESTIGATIONS AND IT AUDIT
ISSUED IN 2018**

Performance Audit:

The designation and effective management of protected areas within Maltese waters – January 2018

MESDC

The primary aim of this performance audit was to determine the extent to which Malta is safeguarding its biodiversity through the designation and management of its marine protected areas. Within this context, this audit's objectives included determining the extent to which:

- a. The government developed the relevant legal and strategic framework to conserve marine biodiversity;
- b. National authorities carried out assessments to designate Marine Protected Areas (MPAs);
- c. Site-specific management plans to conserve the marine habitats and species were drafted;
- d. The proposed measures to utilise MPAs in a sustainable manner are being implemented in an effective and timely manner; and
- e. National entities are monitoring that MPAs are managed in an effective and sustainable way.

In view of the findings and conclusions emanating from this performance audit, the National Audit Office proposed a number of recommendations. These proposals relate to the main issues influencing the sustainability of Marine Protected Areas. Within this context, recommendations target the strategic, administrative capacity, and operational factors.

While acknowledging Environment and Resources Authority's dual role as environmental regulator and implementer, the functions are administratively and organically separated, with strategic and thematic issues, permitting and assessments, and compliance and enforcement being housed under different sections of the Authority. In addition to this, relevant entities are constantly involved in discussions so as to streamline such implementation across sectors. While certain mechanisms are already in place, such as an Inter-Ministerial Committee regarding the implementation of marine framework issues and MPAs, other legal or administrative tools will be delved into. It is pertinent to note that the Authority liaises with other entities for the implementation of certain measures. This implies that, while certain strategies and plans allocate implementation responsibilities on ERA, this is done in consultation with relevant entities and stakeholders. A number of MoUs and agreement with relevant stakeholders are also in place.

The ERA is actively collaborating at a regional Mediterranean level in various initiatives through the EU and the UN, particularly through the UN Barcelona Convention and the related regional collaboration, which addresses all Mediterranean states that are parties to the Convention and/or its Protocols, including the SPA/BD Protocol (the Protocol concerning Specially Protected Areas and Biological Diversity in the Mediterranean).

The ERA published the aim of state of the environment report and intent for the proposed National Strategy on the Environment (NSE), with the NSE vision currently undergoing public consultation. In addition, an action plan relating to the operationalisation of the Integrated Maritime Policy is in the process of being finalised and adopted. Plans in relation to marine monitoring measures and related programme of measures have been adopted and are being implemented.

The use of IT systems to identify skills and professional development needs within the Public Service – January 2018 OPM-P&SD

NAO's audit objective was to analyse the effective use of IT systems in the identification of skills, professional development and training needs across the selected ministries¹. The audit sought to determine whether these systems have the necessary controls to maintain the confidentiality, integrity and availability of HR data, as well as to review the built-in functionality of these IT systems in view of the needs of the respective HR functions.

Overall, NAO showed concern that the selected ministries¹ do not have a formal, uniform approach for the identification of required skills, nor the tools in place to achieve this objective. Only MEDE, to a certain extent, could identify the skills/qualifications of its teaching workforce in government schools through its STS application. NAO opined that unless the Skills and Qualifications module of the Dakar system is implemented across government, ministries will be limited in their ability to plan ahead and fill the workforce capability gaps in a comparable or structured way. Furthermore, NAO questioned how employee training needs analysis is being carried out, given that basic information of professional development/training courses attended by public service officers is not maintained by the respective ministries.

NAO recommended that in the short term, PSD should take the initiative to ensure greater standardisation of HR processes mentioned in its audit report, and the continuous updating of all HR records required for the identification of skills and professional development needs. In the long term, key stakeholders should take the necessary steps to ensure the implementation of a fully comprehensive HR system as outlined in the HR management plan: *Human Resources and Skills Development Strategic Policy Framework – A way forward for 2014–2020*.

The Dakar Training Management (TM) module has now gone live and is integrated into the main government payroll database as part of Dakar Payroll. This followed a clean-up and migration of data residing on systems in use at IPS, which would in due course be integrated into the the Dakar Skills and Qualifications (SQ) module linked with the newly introduced TM module. The SQ functionality will be included in the next phase of My Personal Kiosk later on this year. Eventually, the TM system will be updated automatically with relevant data from Dakar Performance Appraisal and Recruitment modules. In this regard, an important tool is being developed here in connection with training need analysis. PSD has been following a newly established training needs mechanism process based on HR plans, performance appraisals, DCS fora, mystery-shopper feedback, quality assessments, KPIs and continuous development needs. PSI presently works in tandem with the Educators' Board to formulate training and academic programmes and plans.

¹ OPM, MFIN, MEDE, MJCL (January 2018, when NAO's report was published)

An online application form for the management toolkit has been in use since last year. Another online application e-form is being developed for the other IPS courses. This is envisaged to be in place in time for the projected new style 2020-2021 online prospectus. Use of web service technology is being made for optimal TM functionality. A (non-IT) NAO recommendation which IPS will be taking on board for academic year 2019-2020 relates to applications for relatively advanced courses. These will only be considered as long as corresponding basic courses have been (successfully) undertaken where applicable. Also, candidates failing a management toolkit test will be invited immediately for an exam resit or course repeat; “failure” marks are being recorded. A project team from Dakar, IMU (OPM) and IPS are working to implement a system (by means of the new TM module) that replaces the use of manually compiled Excel spreadsheets to record information about IPS courses (as well as applicants, and exam candidates and marks).

Currently, Phase II of the government recruitment portal is being implemented along with the Dakar Discipline module. All HR officers within ministries have been provided with the necessary hands-on training for Phase I, and training for the Discipline module is also planned to take place.

Another initiative being undertaken by PSD is the integration of the separate Dakar Payroll applications in use in a number of Health entities with the main government payroll, as part of an overall effort to do away with stand-alone systems as much as possible. Absences have been recorded into Dakar’s Absence Management system since 2014. Sick leave cards cannot be phased out completely, as they still serve as basis of sick leave availed of prior to 2014 for the purpose of the calculation of pre-retirement leave. NAO had also remarked on the processes concerning career progressions and promotions stating they should be consistent throughout each ministry and line department. However, this is more a matter of compliance with PSMC, which assures coherency across the public service in this regard. The applicable manual could be accessed online on the PSD’s website.

A clean-up of HRIMS data is currently taking place. The new Personnel module is planned to be in place by the end of this year, and will become the core module of the whole Dakar HR suite and entry point of new employees’ details. The aim is to decommission HRIMS by the end of 2020.

In conclusion, it is reiterated that with the establishment of People & Standards within OPM, a strategy has been drawn up to professionalise the HR Management function of the public administration. One of the core factors on which the success of this strategy hinges is the MIS backbone. As denoted above, this backbone is undertaking a significant reconstruction and bolstering effort. This is both an intensive and an ongoing effort. As detailed above, since the NAO audit, we have attained important milestones and results which are already benefiting the management of HR across the public administration.

Performance Audit:
Evaluation of Feed-In Tariff Schemes for Photovoltaics –
March 2018
MEW

The National Audit Office (NAO) conducted the performance audit: 'Evaluation of Feed-In Tariff Schemes for Photovoltaics' in accordance with the Standard for Performance Auditing, ISSAI 3000. The primary aim of the audit was to evaluate the cost-effectiveness of Feed-In Tariff (FiT) Schemes for Photovoltaic (PV) installations and to assess the extent to which these initiatives managed to reach an optimal balance between affordability, decarbonisation, security of supply, as well as contribute towards the attainment of the 10 per cent renewable energy generation target out of the total consumption by 2020. Within this context, this audit also considered other options at the government's disposal for the achievement of such a target, namely cooperation mechanisms as envisaged by the Renewable Energy Directive 2009/28/EC. To this effect, the audit sought to determine the degree to which the:

- i. measures listed in the National Renewable Energy Action Plan (NREAP) 2015-2020 were implemented;
- ii. uptake of the PV FiT Schemes issued to-date was positive;
- iii. methodologies used by national entities to calculate the optimal FiT were in line with best practices;
- iv. schemes' subscribers economic interests were appropriately considered;
- v. additional FiT costs incurred by the government for every scheme represent value for money; and
- vi. cooperation mechanisms may have offered a more cost-effective option to attain the 2020 target, as opposed to the current indigenous PV Renewable Energy Source (RES) choice.

The concluding comment of the NAO was that Malta has registered significant progress in generating renewable energy from PVs, and the attainment of the EU 2020 obligatory target looks more than just a possibility. The current indigenous approach adopted has yielded various benefits. Nonetheless, the opportunity exists for national authorities to continue in their quest to obtain deeper insights into the potential of cooperation mechanisms and their applicability within Malta's context.

In view of the findings and conclusions emanating from the performance audit, the NAO proposed a number of recommendations.

Given the requirement of Commission Regulation 2018/1999 of the European Parliament and of the Council to prepare and submit a National Energy and Climate Plan which also encompasses an update of the NREAP, the development of the plan started in 2017 after an Inter-Ministerial Steering Committee meeting. The IMSC met regularly and the draft NECP was submitted to the EC in December 2018 as required by the applicable regulation.

In 2018, the management continued with its efforts to implement solar farms. In fact, another call was issued in August 2018. A solar farm policy is in place to guide the permitting process. The Ministry provides support in those areas falling within its remit.

In line with the National Renewable Energy Plan, the use of flexible mechanisms (including statistical transfers) as envisaged by the Renewable Energy Directive is not excluded in principle; however, priority is being given to the development of indigenous sources were cost-effective. During the effective period of this plan, flexible mechanisms will continue to be considered as a fall-back position should Malta register a shortfall in the planned renewable energy production.

The Energy and Water Agency stated that the 10% renewable target included in the NREAP 2015-2020 is being monitored through the collection of data pertaining to the generation of energy from renewable energy sources from various entities including Wasteserv, Enemalta, REWS and NSO, and forwarding of data to the NSO which compiles the “Shares Tool” (this being a public accessible database available at <https://ec.europa.eu/eurostat/web/energy/data/shares> showing annual contribution from the various renewable energy sources). The Agency publishes a report on the status of renewable energy every two years. This is submitted to the EU Commission (available online at <https://ec.europa.eu/energy/en/topics/renewable-energy/progress-reports>).

A common key with regards to PV records has been agreed in order to ensure the integrity of the data between the two databases maintained. Work is in process in this regard.

An Investigation of an anonymous allegation on a Home Ownership Scheme property in Santa Lućija – May 2018

MTIP

On 25 January 2016, the National Audit Office (NAO) received an anonymous letter, wherein it was alleged that the former Parliamentary Secretary, responsible for Small Business and Land used his influence to expedite the process for the payment by the former Land Department within the Government Property Division (GPD) of expropriated land in Santa Lućija. During the same period, it was further alleged that the former Parliamentary Secretary together with his spouse were negotiating the purchase of a housing unit, which was built on a proportion of the acquired land under the Home Ownership Scheme (HOS).

In line with its policy to proceed with its investigations even in the case of anonymous letters, provided that sufficient information was provided therein, the NAO investigated these allegations. The Investigation undertaken did not elicit any evidence that the former Parliamentary Secretary used his influence to gain an unfair advantage or to make unwarranted personal gain.

The Investigation identified administrative weaknesses that impinged on the land acquisition process. These shortcomings encroach on the principle of transparency, value for money, the right of compensation for expropriated property within a reasonable period and the right of beneficiaries of HOS properties to be granted the unfettered ownership of their homes.

The Lands Authority is in ongoing discussions and proposals have been made for a thorough change of the provisions of Cap 573 concerning expropriations. The proposals are currently being evaluated and it is envisaged that changes would be enacted by end of year 2019. Subsequently, prioritized plans will be drawn up. However, actual implementation is totally contingent on budgetary allocations made available.

An Investigation of the Mater Dei Hospital Project - Report by the Auditor General – May 2018

MFH

On 12 June 2015, after the findings of the MDH Inquiry Board, headed by Justice Emeritus Dr. Philip Sciberras, had raised significant doubts on the governance, transparency and financial management of the Mater Dei Hospital (MDH) Project, the Minister for Finance requested the Auditor General to investigate the process leading to the design, building, execution, certification, payment, completion and eventual closure of the Mater Dei Hospital project.

In the NAO's overall opinion, the FMS's failure to provide the required information and documentation, together with the various other shortcomings highlighted in the Report, represents a scenario characterised by the breakdown of any sense of accountability, transparency and good governance. Reconciliation would have allowed the NAO to provide assurance, or otherwise, to Parliament and the taxpayer of the regularity of public funds availed of to finance the MDH project.

Subsequent to the issue of the report of this investigation, it was decided that another exercise is carried out. The second assignment is in progress.

FMS is providing NAO with the requested information and is furthermore ensuring that catalogued electronic records are being properly kept for full accountability.

A Review of the Pension due to a former Member of Parliament – June 2018

MFCS

Following allegations in the press in March 2018 on a former Member of Parliament and Judge Emeritus, Alternattiva Demokratika Chairperson requested the Auditor General to certify that mentioned pension was correctly paid and that no political interference conditioned the issue of the said pension.

In view of difficulties encountered due to interpretations, the assessment and actual payment of pension to the former Member of Parliament were undertaken after the required verifications and confirmations, through both the Accounts Section of the House of Representatives and the Office of the Attorney General, were obtained.

The first records submitted by the Accounts Section (HOR) indicated a period of a whole legislature as a Member of Parliament from 18th December 1981 to 13th February 1987, but as per publication '*L-Elezzjonijiet f'Malta 1849 - 1981*' it was noticed that he was also a Member of Parliament in part of the previous legislature from 20th July 1979 to 9th November 1981 (part of the 4th legislature).

In view of this, the Accounts Section provided information regarding the 4th legislature and it was established that the criteria for eligibility of pension were actually in place. These criteria being the minimum of a term of service of 2 legislatures and the aggregate of months being more than 65 months.

Another query to determine the entitlement of pension concerned the matter whether both periods (ie 20th July 1979 to 9th November 1981 and 18th December 1981 to 13th May 1987) could be considered as an uninterrupted period (a period with no break of service years) in view of the fact that he was elected through a by-election in 1979. The advice of the Attorney General's office was sought whereby establishing that since member was re-elected in Parliament following the result of the next General Election, both periods could thus be considered as no break of service years. If on the other hand the former Member of Parliament was elected through the by-election system arising from the General Election the second time round, a break of service years would have been registered.

Considering these facts, the Salaries and Service Pensions Unit assessed pension and entitlement due was issued accordingly, in full adherence with pension regulations and without any interference. Therefore the NAO report did not sustain the claim that there was any political interference.

An Investigation of allegations on Dingli Interpretation Centre - Report by the Auditor General – June 2018

MTIP

On 27 January 2016, the National Audit Office received a letter from a private individual alleging collusion involving governmental officials so that public property handed over to the Dingli Local Council (LC) for Interpretation Centre purposes would be transformed into a catering establishment. Moreover, the letter also referred to various irregularities and shortcomings in administrative procedures adopted by various governmental institutions.

This NAO investigation made note of a number of administrative shortcomings, which raise governance-related concerns. Amongst others, the NAO concluded that, individually or collectively, the shortcomings noted impinge on the reputation of the institutions involved in this investigation. These weaknesses also question the effectiveness of governance mechanisms in place. This investigation raised concerns relating to principles of consistency, transparency, accountability, and value for money.

These shortcomings are being addressed by the concerned entities through the following:

Planning Authority

- Planning applications are all processed electronically;
- Processes have been reviewed and are now streamlined electronically;
- The Development Planning (Procedure for Applications and their Determination) Regulations were entered into force through Legal Notice 162 of 2016;
- External consultees listed in Schedule 3 of Legal Notice 162 of 2016 are notified automatically through the IT system that an application has been submitted. The external consultees have thirty days from such notice to submit their recommendations. Failure to provide recommendations or a position by the established timeframe will be construed as a no objection by the consultees;
- The Outline Development Permit is submitted by the applicant in order to establish whether the Full Development Permit can be issued or otherwise. Thus, by submitting an Outline Development Permit, the applicant will have an indication of whether the application will be processed or immediately refused;
Once the Board decides that an Outline Development Permit submitted by an applicant is approved, the Full Development Permit cannot deviate from it, unless there is a change in regulations/policies during the time between the submission of the Outline Development Permit and the issue of the Full Development Permit or a change submitted by the applicant himself. In fact, the Full Development Permit is based on the parameters set out in the Outline Development Permit;
- For major projects, a screening process is adopted whereby the Directorate and consultees provide information to the applicant with respect to the studies that need to be undertaken prior to the submission of the application. The application is forwarded to the Board once the Directorate establishes that it is valid for assessment;

- Whereas the Board used to be composed of seven part-timers, the Authority now has three full-time Planning Commission members who evaluate each case in order to assess the recommendations made by the Directorate. The Authority started employing Planning Commission members on a forty-hour week basis as from 2010;
- The Planning Commission also has its own technical team consisting of 5 members who assist the Commission in its evaluation to ensure that what was requested by the Board was in fact submitted by the applicant.

Lands Authority and Local Government Division

- Devolution of land from the Lands Authority to Local Councils is now regulated by:
 - Cap. 573 of the Laws of Malta enacted in 2017;
 - Memo 25 of 1999; and
 - A 'Policy Document' *dwar Devoluzzjoni Lokali - "Policy" u Proċedura għal Applikazzjonijiet biex tiġi amministrata Proprjetà Pubblika* issued by the Department for Local Councils in February 1999.
- Changes to Cap. 573 of the Laws of Malta are envisaged for the last quarter of 2019.
- Processes at the Lands Authority are being improved through online submission of applications and self-imposed timeframes.
- The Lands Authority is revisiting the processes through which public property can be devolved. As part of this process, the said authority consulted all ministries and initiated discussions with the Local Government Division who, from their end, are also revising the Local Councils devolution application process.

As part of this reform, changes will also take place as regards to sub-leasing.

Performance Audit:
A Strategic Overview of Mount Carmel Hospital –
July 2018
MFH

The NAO conducted this review to determine whether Mount Carmel Hospital, being the central national hub tasked with dealing with such conditions, is operating efficiently while effectively addressing society's mental health needs.

The NAO is of the opinion that an all-encompassing national strategy on mental health needs to be implemented at the earliest to ensure the effective overhaul of MCH and to address the prevalent negative stigma on mental health. The NAO also strongly recommends that any future mental health strategy should have community services as its flagship. The NAO however contends that this is not possible without the full commitment of central government, particularly through the investment of the required capital and recurrent resources at the earliest.

Recognising that mental illness is one of the most significant public health challenges of the 21st century, in December 2018, the Office of the Deputy Prime Minister and the Ministry for Health launched a *Mental Health Strategy for Malta 2020 – 2030* for public consultation and discussion.

In addition, it is to be noted that Mount Carmel Hospital is currently in the process of carrying out maintenance works in tandem with structural works. In fact, a programme of the refurbishment works that will be carried out is in place. In this regard, progress meetings are being held on a weekly basis. MCH was allocated €6 million in capital expenditure per annum for 5 consecutive years and €3 million in recurrent expenditure for 2019. Furthermore, there is a commitment that, by 2025, a new hospital will be built for acute clients.

MCH management intends to adopt a holistic security approach covering security, access control, fire and health and safety after taking into consideration feedback from stakeholders.

While acknowledging that MCH is facing a staff shortage, the management is always striving to carry out better resource allocation. In addition, it is to be highlighted that, amongst others, in the past months, MCH had a good intake of psychologists at all levels. Top management are also focusing on enhancing communication with staff and motivation. In fact, meetings are being held with staff who are also being encouraged to come forward with new ideas to improve the operations of the hospital, which will ultimately also lead to a positive impact on the service provided to clients.

Performance Audit:

An evaluation of the Government's deal to design, build, and operate the Malta National Aquarium – September 2018 MOT

The audit objectives outlined below reflect the main criteria adopted to determine the degree to which this venture constituted value for money. To this effect, the NAO review sought to evaluate the extent to which the:

- i. project contributed to Malta's tourism product;
- ii. direct financial benefits to the Government replicate public investment;
- iii. contracts' clauses safeguard the Government's interests and ascertain a balanced partnership in terms of project benefits; and
- iv. Malta Tourism Authority (MTA) is monitoring project implementation.

This performance audit identified a number of issues, both at the strategic level and at the operational level. NAO recommendations were put forward accordingly.

All strategic recommendations which are of a horizontal nature are being noted and will be taken into consideration as and where applicable.

At the operational level, it is to be noted that MOT and MTA have kicked off a process to explore ways and implement actions to address the main recommendations made. Meeting minutes are being maintained in respect of MTA's Monitoring Committee. In addition, an economics expert has now been appointed on the Monitoring Committee, thus facilitating the process of implementing NAO recommendations. Inspections carried out on the cleanliness and ambiance of the aquarium, and to confirm that the aquarium and other operations are open to the public, are being documented. MTA has created a Facilities Inspection Form to be used during the course of carrying out inspections. Such form, a copy of which was forwarded to IAID, is final and has been approved by the Director for Product Development within the Malta Tourism Authority.

Performance Audit:

A Strategic Overview on the Department of Fisheries and Aquaculture's Inspectorate Function – November 2018

MESDC

The National Audit Office carried out a performance review on how the Department of Fisheries and Aquaculture (DFA), as the national regulator in this sector, carries out its inspectorate function to protect this industry. The NAO focused solely on the fisheries arm of the Department's operations. The NAO primarily focused its analysis on the extent of visibility that the DFA's inspectorate has on the sector in question, the Department's prioritisation of available effort and resources, and its risk management system. This study assessed whether the DFA's inspectorate arm, through its operations and capacity, is identifying and managing risk as well as allocating the resources at its disposal in an effective and efficient manner.

In order for the DFA to consolidate its position of a regulator within the fisheries sector, the NAO recommended that an internal HR review is conducted to detect and address staff deployment inefficiencies and training needs; that further automation of data management and reporting systems are seen to; that the presence of DFA's inspectorate both at sea and on land is increased; that inspectorate effort allocation is based on comprehensive risk management systems; and that administrative measures are considered to safeguard DFA's regulatory role, particularly in view of its operational remit.

In line with the current government policy, the DFA's remit encompasses both regulatory and operational functions. The proposed organogram shows that the operational and the regulatory functions are placed under two separate directorates within the department to mitigate any potential existent or perceived conflict of interest. Separation of powers is thus achieved internally.

As part of its commitment to enhance procedures, the DFA is acting upon an action plan drawn up in order to address the observations raised by NAO. This action plan includes revising existing standard operating procedures and creating new ones. Once concluded, this process will contribute towards strengthening current processes. The management is also updating existing risk registers and providing the necessary training in this regard. The updated risk registers will also be used as part of the planned Business Process Reengineering exercise. The management is also committed to recruit additional resources in line with applicable rules and procedures.

An investigation of matters relating to the contracts awarded to ElectroGas Malta Ltd by Enemalta Corporation

- November 2018

MEW

On 30 July 2015, the then Opposition Members of Parliament on the Public Accounts Committee (PAC) and the then Shadow Minister for the Environment, Energy and Transport requested the Auditor General (AG) to investigate matters relating to the selection of the ElectroGas Malta Consortium and the contracts awarded for the supply of gas to and the purchase of power by the Enemalta Corporation. The correspondence submitted to the AG referred to a number of matters. All these matters raised concern regarding the purpose and viability of the project, and whether it represented value for money. In this context, the AG was requested to investigate:

- a. the process of selection leading to the government's awarding of contracts relating to the construction of a power station and the supply of electricity to Enemalta to the ElectroGas Consortium and to determine whether the selection was diligently made and based on the principles of good governance;
- b. whether documentation indicating the financial standing of each company forming part of the ElectroGas Consortium was requested and whether these documents indicated the risks identified by Gasol's auditors;
- c. whether the government was aware of this information, whether this was disregarded or, if unaware, why the government failed to request this information;
- d. whether the government and/or Enemalta had sufficient and documented proof that the ElectroGas Consortium had the necessary financing to undertake the project as required in the Expression of Interest and Capability (EoIC) and the Request for Proposals (RfP);
- e. whether the government created favourable conditions for the ElectroGas Consortium to the detriment of other companies that could have had an interest in this project, when providing a state guarantee for a bank loan and whether this guarantee was in breach of the government's financial regulations;
- f. the process through which Gasol was allowed to withdraw from the ElectroGas Consortium and to determine whether this was in line with the procedure ordinarily applied in similar cases;
- g. the contracts entered into by the government and/or Enemalta for the purchase of electricity from ElectroGas Malta Ltd and whether the contracts were consonant with the principles of good governance, including transparency, viability, and value for money; and
- h. whether the rate at which the government and/or Enemalta agreed to purchase electricity from ElectroGas Malta Ltd was more favourable than that at which Enemalta procured electricity through the interconnector.

Further concerns were raised by the Opposition Members of Parliament on the PAC and the Shadow Minister for the Environment, Energy and Transport on 21 August 2015. Additional information was also brought to the attention of the AG on 25 April 2016 by the then Leader of the Opposition. The initial request by the PAC and the subsequent submissions made formed the basis of the terms of reference set by the National Audit Office (NAO).

Enemalta plc analysed the NAO report content with the merited attention. To this effect, while an in-depth analysis of the report was commenced on report tabling, such analysis—even given the complexity and the wide scope/span of the report—is still ongoing, with various draft reports as prepared by EM external consultants and in-house personnel being evaluated. Eventually, such input will be disclosed and discussed within the proper and formal forum, as well-stated by the Auditor General.

Enemalta holds opinions that differ in various instances and on various topics from those expressed in the NAO report. As for recommendation take-up, prior to the publication of the report, Enemalta was already in an advanced stage of deploying the proposed Energy Trading Section, tasked with optimising the trading and dispatch planning functions, which section is now fully functional.

Where tendering procedures are concerned, it is once again necessary to stress that the contracts awarded to Electrogas Malta Ltd by Enemalta are the deliverable of the so-termed Gas and Power Project. By its very nature, such a project is a capital and extraordinary one. To this end, various comments and recommendations related to the procurement stage are being acknowledged as positive and fruitful input/advice from the National Audit Office. However, such input and advice can, in effect, be only heeded by Enemalta when new and similar procurement is being effected.

Performance Audit:

An evaluation of the regulatory function of the Office of the Commissioner for Voluntary Organisations – December 2018 MEDE

The main focus of the audit was to determine the extent to which the regulatory function entrusted to the Office of the Commissioner for Voluntary Organisations (OCVO) is conducive to good governance of all VOs, namely in terms of transparency and accountability. Towards this end, the audit's objectives sought to:

- a. assess the level of timeliness and quality associated with the enrolment process;
- b. determine the extent to which OCVO is kept abreast of funds and grants received by VOs for regulatory and risk analysis purposes; and
- c. evaluate the monitoring and enforcement functions assigned to the Commissioner through the VO Act.

The National Audit Office put forward recommendations related to the enrolment, funding and monitoring of VOs. A number of strategic recommendations were also proposed.

Following the legislative changes that took place in 2018, the OCVO recruited additional human resources based on the structure approved by the competent authority in 2019. The OCVO is in the process of further recruitment. Training is being provided, both to current employees and also to participants from VOs.

As the regulator, the OCVO ensures that any VO platform set-up is managed appropriately.

The OCVO is in the process of developing a database to generate statistics and enable more in-depth oversight of voluntary organisations' operations. Checks being carried out on VOs include liaising with competent authorities to screen all administrators.

