



OFFICE OF THE PRINCIPAL PERMANENT SECRETARY
OFFICE OF THE PRIME MINISTER

GOVERNANCE ACTION
on the NAO's Annual Report 2016
Public Accounts

June 2018

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

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

Cataloguing-in-Publication Data Malta.

Office of the Principal Permanent Secretary
Governance Action on the NAO's Annual Report 2016
Valletta: Office of the Principal Permanent Secretary
29.7, 21 cm

ISBN: 978-99957-1-258-7

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

Tel.: (+356) 2200 1700

Price: €5.00

This publication is an important link in the chain of initiatives that the public administration is now routinely undertaking to open itself to public governance. I am referring to the publications on the implementation of Budgetary Measures and of Simplification Measures which, together with this publication, are transparent and frank accounts of how and to what extent the public administration has made use of resources, time included, to achieve the objectives which the government had committed itself to achieve. Through these actions the doors onto the public administration have been thrown wide open and we welcome public scrutiny so as to improve our performance in conducting public affairs and managing public resources.

We are setting ourselves challenging targets so as to deliver also on effective governance not simply through centrally led systematic follow up but also by inculcating a culture change in the approach taken by line Ministries to implement post audit actions. Customs die hard. This is so for a few public employees, who, though expected to implement the necessary changes following audit recommendations, do not have the needed motivation, drive and pride to change for the better as there were times when enough impetus to address issues and risks identified by the National Audit Office (NAO) was lacking. An incremental change in culture is now being experienced. In fact, Management are recognising that understanding the issues and having the necessary action plans in place with respect to annual NAO audit recommendations will ultimately lead to meeting set targets more efficiently, effectively and economically.

Effective governance is also being enhanced

elsewhere. The delegation of authority and the decentralization of a number of functions to line Ministries, foremost amongst which is people management and resourcing, is being done with inbuilt audit mechanisms to uphold accountability. The same is being done in the area of service delivery where we are committing ourselves to provide a service of excellence, at anytime from anywhere, with one of the four pillars of such a quality service delivery being accountability. The digitization of the public administration is another contributor to effective governance. The citizen and businesses are being empowered to apply online for services. They are also having the facility to view the processing of applications from the comfort of their own office or home. In several cases they can also receive notifications unbidden.

In addition, substantial investment is being made in various other sectors to upgrade existing technologies and introduce modern solutions. This digital transformation is shaping the public administration into a more innovative, dynamic and client centric organization. We are committed to continue seeking new opportunities to utilize technology as a tool to digitize business processes and to continue to enhance our public accountability through the provision of electronic services.

For the third 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 April 2017. 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 NAO in their Annual Audit Report - Public Accounts 2016 issued in November 2017.

IAID was also tasked to give an opinion on whether the corrective actions presented by the Permanent Secretaries and reviewed by IAID represent a true and fair view of the actions actually implemented, and whether these address the actions included in the Governance Report and the recommendations put forward by NAO in the Annual Audit Report issued in 2017.

Following feedback received, 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.

The results of the weeks' long exercise described above are being published in this third Governance Report, a transparent concrete manifestation of accountability. The NAO Annual report for 2016 has fewer recommendations. This meant that several actions had to be implemented to address the risks and shortcomings covered by the said recommendations.

Implementation of recommendations reached 80%, marginally exceeding the 78% mark of both previous years. The recommendations falling due in 2017 from

last year's report were also followed upon and it can be stated that, apart from few justifiable exceptions, all have now been implemented.

The high implementation rate by the public administration is also corroborated by findings in the follow up exercise undertaken by the NAO on a range of past audits which were published last November.

MARIO CUTAJAR

Principal Permanent Secretary

CONTENTS

List of Abbreviations	8
Ministry for Foreign Affairs Ministry for Foreign Affairs – Creditors <i>(now the Ministry for Foreign Affairs and Trade Promotion)</i>	11
Ministry for Education and Employment Church Schools - Expenditure Junior College – Personal Emoluments Gozo Schools – Inventory and Contractual Cleaning Expenditure	15
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties Support to Voluntary Organisations and Civil Society Fund – Expenditure <i>(now under the Ministry for Education and Employment)</i>	37
Ministry for Transport and Infrastructure Transport Malta – Annual Circulation Licence Fees <i>(now under the Ministry for Justice, Culture and Local Government)</i> Grand Harbour Regeneration Corporation – Capital Expenditure <i>(now under the Ministry for Tourism)</i>	43
Ministry for Gozo Ministry for Gozo - Creditors	53
Ministry for the Economy, Investment and Small Businesses Malta Communications Authority – Revenue <i>(now under the Office of the Prime Minister)</i> Ministry for Competitiveness and Digital, Maritime and Services Economy – Creditors <i>(now under the Ministry for Energy and Water Management)</i>	57

Ministry for Energy and Health	67
Medicine and Surgical Materials – Expenditure (<i>now under the Office of the Deputy Prime Minister and Ministry for Health</i>)	
Mater Dei Hospital – Expenditure – Contractual and Professional Services (<i>now under the Office of the Deputy Prime Minister and Ministry for Health</i>)	
Ministry for the Family and Social Solidarity	81
Ministry for the Family and Social Solidarity – Creditors (<i>now the Ministry for the Family, Children’s Rights and Social Solidarity</i>)	
Ministry for Justice, Culture and Local Government	83
Office of the Attorney General - Revenue	
Ministry for Tourism	87
Malta Film Commission – Revenue and Expenditure	
Malta Air Traffic Services Ltd – Revenue	
Ministry for Home Affairs and National Security	103
Detention Service - Expenditure	
Civil Protection Department – Expenditure	
Malta Police General Fund – Income and Expenditure	
Other Reports/NGOs	129
Co-operatives Board – Audit for Financial Year 2016	

LIST OF ABBREVIATIONS

AAR	Annual Audit Report
AG	Attorney General
AIIB	Asia Infrastructure Investment Bank
ARR	Arrears of Revenue Return
ATM	Automated Teller Machine
AWAS	Agency for the Welfare of Asylum Seekers
BO	Budget Office
CBM	Central Bank of Malta
CEO	Chief Executive Officer
CFMS	Corporate Financial Management System
CFO	Chief Financial Officer
CIO	Chief Information Officer
CoJ	Courts of Justice
CPD	Civil Protection Department
CPSU	Central Procurement and Supplies Unit
CSF	Civil Society Fund
CVA	Controlled Vehicular Access
DAS	Departmental Accounting System
DCS	Director Corporate Services
DDI	Direct Dial IN
DG	Director General
DMD	Debt Management Directorate
DO	Direct Order (s)
DoC	Department of Contracts
DOC	Department of Customs
DS	Detention Service
DSO	Detention Service Officer
DSS	Department of Social Security
EAMS	Euro Area Member States
EBU	Extra Budgetary Units
EFSS	European Financial Stability Facility
ERU	Emergency Response Unit
EU	European Union
FMS	Fleet Management System
FR	Financial Report
FRA	Fiscal Responsibility Act
FS	Financial Statements
FSS	Final Settlement System
FS3	Payee Statement of Earnings
FS7	Payer's Annual Reconciliation Statement

GBMPDMA	Government Borrowing and Management of Public Debt Management Act
GDP	Gross Domestic Product
GHQ	General Headquarters
GHRC	Grand Harbour Regeneration Corporation
GPD	Government Property Division
HR	Human Resources
IMU	Information Management Unit
IPSAS	International Public Sector Accounting Standards
IRD	Inland Revenue Department
IRU	Industrial Relations Unit
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
JC	Junior College
LES	Local Enforcement System
LESA	Local Enforcement System Agency
LN	Legal Notice
LSA	Learning Support Assistant
MARPO	Malta Association of Retired Police Officers
MATS	Malta Air Traffic Services Ltd
MCA	Malta Communications Authority
MCDMS	Ministry for Competitiveness and Digital, Maritime and Services Economy
MCVS	Malta Council for the Voluntary Sector
MDH	Mater Dei Hospital
MEDE	Ministry for Education and Employment
MEW	Ministry for Energy and Water Management
MFA	Ministry for Foreign Affairs
MFC	Malta Film Commission
MFCS	Ministry for the Family, Children's Rights and Social Solidarity
MFH	Ministry for Health
MFIN	Ministry for Finance
MFSS	Ministry for the Family and Social Solidarity
MFTP	Ministry for Foreign Affairs and Trade Promotion
MGI	Malta Government Investments Ltd.
MGOZ	Ministry for Gozo
MGS	Malta Government Stocks
MHAS	Ministry for Home Affairs and National Security
MITA	Malta Information Technology Agency
MJCL	Ministry for Justice, Culture and Local Government
MOT	Ministry for Tourism
MPA	Malta Police Association
MPF	Malta Police Force
MPGF	Malta Police General Fund

MSDC	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties
MSE	Malta Stock Exchange
MTI	Ministry for Transport and Infrastructure
NAO	National Audit Office
NGO	Non-Governmental Organisation
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OPM	Office of the Prime Minister
ORC	Other Ranks' Canteen
PACBU	Public Administration Collective Bargaining Unit
PDMAC	Public Debt Management Advisory Committee
PMR	Private Mobile Radio
PO	Purchase Order
POU-GWU	Police Officers Union – General Workers' Union
PPR	Public Procurement Regulations
P&SD	People and Standards Division
PSMC	Public Service Management Code
SOP	Standard Operating Procedure
SSC	Social Security Contributions
SEPA	Single Euro Payments Area
SES	Single European Sky
SVPR	St Vincent de Paul Residence
TM	Transport Malta
TOIL	Time Off In Lieu
UoM	University of Malta
VAT	Value Added Tax
VERA	Vehicle Registration and Administrative System
VL	Vacation Leave
VOPS	Voluntary Organisations Project Scheme
VRN	Vehicle Registration Number
WAM	Weighted Average Maturity

MFA
CREDITORS
(NOW THE MINISTRY FOR FOREIGN AFFAIRS
AND TRADE PROMOTION)

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUE

<p>Incomplete Information on Creditors</p> <p>Considering the materiality of the amounts omitted when compared to the reported figures, MFA is to coordinate with all Departments and overseas missions in order to compile accurate and timely information on their creditors.</p> <p>Furthermore, Departments are expected to establish ways and means to be in a position to determine when an invoice was actually received. This will enable a proper cut-off date for the compilation of the creditors' lists and facilitate the reconciliation process with the suppliers' statements.</p>	<p style="text-align: center;">✓</p>		<p>Overseas missions have been requested to submit information twice yearly with respect to creditors, as from 2018.</p> <p>Rubber stamps have been purchased in order to note the date when the invoice was actually received by the Accounts Section. This procedure started being used as from the first week of February 2018.</p> <p>A circular was issued on 30th January 2018, notifying directorates and overseas missions on the way forward with respect to the payment of invoices and the submission of pending creditors every quarter. The circular makes reference to MF Circular No. 10/2001.</p> <p>The invoices tested for 2017 were dated prior to or as at 31st December 2017.</p> <p>Reconciliation is being carried out with suppliers' statements, and discrepancies are being acted upon as necessary.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
--	--------------------------------------	--	--	--

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>COMPLIANCE ISSUE</p> <p>Lack of Awareness of Pertinent Circular</p> <p>In view of the transition to accrual accounting and the importance of identifying, as much as possible, an accurate figure of liabilities at year-end, the provisions of cited circular are to be duly followed.</p>	<p style="text-align: center;">✓</p>		<p>An MFTP circular was issued on 30th January 2018, making reference to MF Circular No. 10/2001. All MFTP directorates and overseas missions were notified about the way forward with respect to the payment of invoices and the submission of information about unpaid invoices arising from the previous financial quarter.</p> <p>The MFTP will ensure adherence.</p>	<p>Implemented</p>

MEDE
CHURCH SCHOOLS - EXPENDITURE

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

Substantial increase in Expenditure

Disbursement from public funds over a 10-year period almost doubled; the amount spiralled from €32 million to €63 million. In comparison, the student population increased by just 3%, leading to the indicative cost per student rising from €1,923 to €3,680 during the same period.

Table 1 in published NAO report, page 79 refers.

X

Increase in expenditure cannot be compared only to the increase in student population. Other factors that contributed to this increase include, but are not limited to:

1. Two new church schools being opened for the scholastic year 2011-2012 with a total of 27 teaching grades. Another school was opened for scholastic year 2012-2013 with 15 teaching grades.

As of today, the 3 schools have a total of 127 teaching grades, resulting in an increase of 85 teachers within 5 years.

2. Recent collective and sectoral agreements (effective as from 1st January 2017 and 1st January 2018 respectively) have increased the cost of church schools salaries by 2.5%. Taking only the above schools, the average salary of a teacher.

- in 2012 was €21,663 (€21,013 grade + €650 allowance); and

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
		<p>- in 2018 this increased to €26,532 (€24,872 grade + €1,651 allowance).</p> <p>The above resulted in an increase of 22% in salary costs in 6 years.</p>		
		<p>3. The increase in the time table from 37 to 40 lessons per week, which alone contributes to approximately an 8% increase in teaching staff.</p>		
		<p>4. The number of request for LSAs in the past 10 years has contributed significantly to the increase owing to the increase in the number of stated students. The number of LSAs increased from 404 (2007) to 910 (2016) and the starting salary increased from €11,010 to €14,981.</p>		
		<p>5. Introduction of new subjects such as vocational subjects.</p>		
		<p>6. Introduction of new services such as nurture classes and psychosocial services.</p>		

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

<p>NAO is aware that MEDE is contemplating the concept of 'envelope funding' to meet Church Schools' financial requirements. To this effect, the Ministry is encouraged to appoint a task force with the objective of establishing the best way forward, bearing in mind legal implications pursuant to the existing agreement. The proposal should be cost-effective and simultaneously simplify the funds allocation process, to enhance manageability, both by the Ministry and the Secretariat for Catholic Education.</p> <p>Considering the substantial outlay of public funds channelled towards Church Schools, priority to establish sound internal controls and a complete audit trail is imperative and urgent.</p>	<p style="text-align: center;">✓</p>	<p>7. Increase in salaries owing to the collective agreement affecting the Public Service (starting salary of teacher increased from €13,968 (2007) to €19,320 (2016)).</p> <p>8. Increase in allowances for teachers. In 2007 teachers had an all-inclusive allowance of €350, which allowance was increased to €800 in 2010, together with the introduction of the allowance of €300 for the KGAs and the LSAs.</p>	<p>A task force has been appointed by MEDE to explore the possibility of envelope funding. Its members are from the Education Resources and Finance Unit.</p> <p>MEDE has initiated monthly reconciliations to ensure that there is no over- or under- spending on salaries. Yearly retrospective reconciliations are to be carried out.</p>	<p>Implemented</p> <p>December 2018</p>
--	--------------------------------------	---	--	---

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of documentation to support the Budget Allocation</p> <p>In order to determine the financial contribution of the State in due time, Article 7 of the above-mentioned agreement requires the Secretariat for Catholic Education to submit to MEDE the staff complement required by Church Schools for the following scholastic year, with an indication of the respective remuneration of each, by the end of August annually. In this regard, the following issues transpired:</p> <p>a. The budget requirement for financial year 2016 was only made available for audit purposes in July 2017, after four weeks from NAO's request and following several reminders. This delay raised doubts as to whether such information was available at the Ministry.</p> <p>b. Workings provided show a budgeted expenditure of €62,285,152. No consideration was given to the annual interest derived from the Foundation for Church Schools, which amounted to €3,65 million, setting-off part of this expenditure. As a result, these figures could not be reconciled with the €63 million allocated.</p>	<p>X</p>	<p>The delay mentioned in point a. in giving information to the NAO resulted because the Director for Finance and Administration was abroad. The NAO were informed that on her return such information will be provided, which it was. The budget for church schools was in hand in 2015.</p> <p>Interest is deducted from the amount of salaries due to church schools by the government. MEDE is represented on the foundation for church schools board. A copy of the 2016 audited financial statements of the foundation for church schools, showing the distributions paid by the foundation is available.</p>		

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

<p>c. Although NAO requested further documentation related to the 2016 budgetary allocation from MEDE, no such records were made available. The NAO could not therefore review the budgeting process.</p>	<p style="text-align: center;">✘</p>	<p>The amount for 2016 agrees with the amount deducted for 2016.</p> <p>Documentation related to the 2016 budgetary allocation for church schools is in hand.</p>		
<p>Reconciliation not performed</p> <p>MEDE representatives confirmed that no reconciliation was ever performed in order to ascertain whether the total funds transferred actually tallied with the approved staff expenditure.</p>	<p style="text-align: center;">✔</p>		<p>MEDE has initiated monthly reconciliations to ensure that there is no over- or under- spending on salaries. Yearly retrospective reconciliations are to be carried out.</p>	<p>December 2018</p>
<p>Monthly Claims not substantiated</p> <p>Individual salary costs approved for payment by MEDE could not be reconciled against claims made by the Secretariat for Catholic Education as the latter did not keep a detailed breakdown of the actual monthly staff expenditure borne by the State. It is pertinent to note that an NAO audit conducted in 2001 had already brought this matter to the attention of the relevant authorities. Following this year's audit, the Secretariat agreed to start keeping detailed monthly records with immediate effect to back up its claims.</p>	<p style="text-align: center;">✔</p>		<p>Detailed breakdown of the actual monthly salary expenditure for 2017 of all church schools has been compiled. Schedules referring to the amount of employees as per their respective scale are also available.</p> <p>The Secretariat for Catholic Education has been compiling the monthly salaries on an individual basis as from August 2017.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Entitlement to Resources</p> <p>According to MEDE, each school's entitlement was always computed in accordance with the Guidelines to Church Schools' Entitlement of Resources dated 29 July 2011. This could not be confirmed by NAO as relevant official records were not made available for audit purposes.</p>			<p>The approved capacity building for scholastic year 2017/2018 is available.</p> <p>MEDE has documented approvals for the recruitment of staff by church schools. The majority of requests cover replacement of staff and the recruitment of LSAs for newly statemented children. The requests give details of the person being replaced or the child who has been statemented.</p>	<p>Implemented</p> <p>Implemented</p>

MEDE
JUNIOR COLLEGE - PERSONAL EMOLUMENTS

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION OF SCOPE

<p>The scope of the audit was hindered due to the general disregard of emails and reminders sent to UoM staff by the NAO. The following information and/or documentation requested for audit purposes was still not provided by end October 2017 when this write-up was concluded:</p> <ul style="list-style-type: none"> confirmation of minutes of the introductory meeting; salaries accounts transaction listings for 2015 and 2016; financial statements for 2015 and 2016; clarification about JC's reporting requirements to the Minister; the Payer's Annual Reconciliation Statement (FS7) for the year 2016; and a breakdown of the disbursements from the Academic Resources Fund. 			
---	--	--	--

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
KEY ISSUE				
Financial Reporting Concerns Management's attention is to be drawn to Legal Notice 123 of 1995 which, amongst others, states that JC is accountable to the Minister through its own Board as established in the Statute. Thus, it is advisable that Management obtains legal advice to address this issue without delay.	✓		This legal issue will be addressed once the new University Act is enacted. Nevertheless, the Junior College accounts are presented to the minister and tabled in Parliament, and included with the University Accounts. Implementation date cannot yet be determined.	
CONTROL ISSUES				
Lack of Control on Overtime The performance of overtime is to be justified and officially authorised prior to its commencement. Management is also encouraged to introduce an automated system to record all staff attendances, both for control and security purposes. Besides being more efficient, such system would also facilitate the cumbersome manual process related to the present payroll function. The respective records can also substantiate claims for overtime and the relative payment.	✓		An overtime policy has been prepared by the UoM. The management is to communicate the policy formally to all concerned and ensure compliance. An automated system for approval and recording of staff overtime will be introduced. Options for an automated system for electronic time recording are being explored.	Implemented June 2018 June 2018 January 2019

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings related to Remuneration Rates and Allowances</p> <p>Applicable rates are to be backed up by the necessary authorisation.</p> <p>Additionally, appointments as well as reappointments are to be substantiated with supporting documents in order to ensure a complete audit trail.</p>	<p>✓</p>		<p>The UoM is to ensure that all applicable rates are covered by the necessary authorisation. A memorandum has been drafted for the approval of such rates.</p> <p>A list of subject coordinators with the corresponding meeting minutes appointing these persons to the said role is in place.</p> <p>A correct and updated list of area and subject coordinators is to be maintained at all times. The management is to ensure an adequate audit trail.</p>	<p>June 2018</p> <p>Implemented</p>
COMPLIANCE ISSUES				
<p>Late submission of Returns to the Inland Revenue Department</p> <p>Late submissions are subject to penalties emanating from the relative legislation. Thus, the pertinent returns are to be timely forwarded to the respective Department.</p>	<p>✓</p>		<p>FS7 for 2017 Salaries was submitted on 16th March 2018.</p>	<p>Implemented</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>Lack of Control over Advances from the Academic Resources Fund</p> <p>The regular verification of expenditure reports is encouraged since the annual outlay from this fund is considered substantial. Besides ensuring compliance with prevailing policy and procedure guidelines, such checks will enhance accountability.</p> <p>Additionally, the supporting documents attached to the expenditure reports are to be checked upon submission to the Office of Human Resource Management and Development to ensure that all have been duly forwarded before the advance for the subsequent year is given to the eligible individuals.</p>			<p>Reports are scanned upon submission and 20% of them are being thoroughly audited by the Finance Section (UoM) for compliance. Moreover, no advances are made if reports are not submitted.</p>	<p>September 2018</p>
---	---	--	---	-----------------------

MEDE
GOZO SCHOOLS -
INVENTORY AND CONTRACTUAL CLEANING
EXPENDITURE

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Gozo Schools' Inventory</p> <p>Various Shortcomings in the Electronic Inventory Database</p> <p>The updating of the Inventory Database is to be given utmost priority, even in view of Government's move to accrual accounting in the very near future. Moreover, all assets are to be recorded therein with an accurate and detailed description, enabling traceability from purchase, as well as to the respective location. Periodic physical verification of inventory items is also recommended.</p>	<p>✓</p>		<p>An extensive exercise carried out by MEDE in 2017 is currently being finalised and all asset codes will be streamlined with the Malta Asset Codes for more standardisation.</p> <p>The migration from the previous asset codes to the new asset codes has been finalised.</p> <p>Asset description is now more detailed and no generic descriptions are in evidence.</p>	<p>Implemented</p>
<p>Homogeneous items having the same location and asset identification number, such as chairs and desks, were included in the database individually, rather than as one group of assets with the respective number of units being reflected in the quantity.</p>	<p>✗</p>	<p>Chairs and desks in classrooms are not deemed to be 'part of a set' as these can be moved separately from one classroom to another as required. Therefore, these are listed separately.</p>	<p>MEDE, through Schools Information Systems - IMU carries out regular training courses on E1 Finance for clerks working on inventories. The clerks are informed about which items should and should not be inputted as fixed assets, as well as the fixed assets threshold.</p> <p>No consumables, disposables or perishable items are included in the inventory.</p>	<p>Implemented</p>
<p>Consumables, disposable or perishable items such as stationery items, having a trivial value, were still recorded as inventory items.</p>	<p>✓</p>		<p>MEDE, through Schools Information Systems - IMU carries out regular training courses on E1 Finance for clerks working on inventories. The clerks are informed about which items should and should not be inputted as fixed assets, as well as the fixed assets threshold.</p> <p>No consumables, disposables or perishable items are included in the inventory.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>A number of items inputted in the database were either obsolete, damaged or to be disposed of.</p>			<p>Items which were already classified as obsolete or designated for disposal were allocated to a different sheet so that upon the council's approval, these items will be written off.</p>	Implemented
<p>On certain instances, assets were classified under the wrong asset category.</p>	✓		<p>Schools items which are to be written off following the procedure as per MF Circular No. 14/1999.</p> <p>The exercise regarding the identification of the items to be written off will be concluded following the asset code migration process.</p>	Implemented
<p>Despite that the 'e1 finance' system provides the facility of attaching an invoice to each transaction being inputted, no invoices were uploaded in support of any purchases of fixed assets, thus losing full audit trail.</p>	✗	<p>This is a very lengthy process and it is not advisable that it be carried out by the schools in line with MEDE's policy to lessen administrative burden from schools. However, hardcopies of the invoices are filed at the respective schools and can be retrieved upon request. Upon updating the fixed asset register, the inputting requires a cross reference to the invoice.</p>	<p>In order to ensure that there is no such reoccurrence of this limitation, certain asset classification is still being determined. A temporary classification has been assigned.</p>	Implemented

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Inventory Write-offs</p> <p>Write-off approvals are to be duly sought and appropriately documented, clearly indicating the name of the officer granting the relevant authority and the respective date. Heads of Schools are also to be instructed to fully comply with the applicable regulations and to duly compile the 'Write-off Forms'.</p>	<p>✓</p>		<p>The inventory office has formulated a checklist to ensure that all required data and signatories are in place when compiling the write-off forms.</p>	<p>Implemented</p>
<p>Shortcomings identified during a Site Inspection</p> <p>For control purposes, MEDE is to instruct Heads of Schools to ensure that identification numbers are affixed to all assets falling within their responsibility.</p> <p>Moreover, movements of tangible fixed assets are to be invariably recorded in the Inventory Database. In this regard, the introduction of transfer notes, raised and endorsed by the officer responsible for inventory management, may also be considered.</p> <p>Room inventory lists are to be compiled and kept in all the respective rooms. Regular inspections are to be carried out to ensure that the regulations, established to safeguard Government's assets, are rigidly adhered to and the required procedures to write-off obsolete inventory items executed.</p>	<p>✓</p>		<p>Since with the migration process all assets are being assigned new identification numbers, and all assets have to be re-labelled once this process has been completed.</p> <p>An inventory stock take is going to take place so as to ensure that all assets are assigned to their respective rooms.</p> <p>Room inventory lists will be drawn up once the above exercises have been completed.</p> <p>Lists for obsolete or items to be written off are being prepared.</p>	<p>September 2018</p> <p>September 2018</p> <p>September 2018</p> <p>September 2018</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Divergences from applicable Regulations</p> <p>The provisions of MF Circular No. 14/99 are to be complied with. Heads of Schools are to ensure that all items are physically marked with a permanent identification number and that any movement of inventory items from one location to another is reflected in the official inventory records.</p>	✓		<p>The 'e1 finance' system assigns an asset identification number to each asset that is inputted into the system.</p> <p>Labelling of assets is in progress.</p>	September 2018
<p>Cleaning Expenditure</p> <p>Incomparable Cleaning Costs per Student</p> <p>Given the abnormal cleaning costs per student, in a number of schools where the student population is very low, MEDE is encouraged to find solutions where staff performing cleaning duties are shared between different schools to become more cost effective.</p>	✗	<p>All state schools have their cleaning hours allocated through the tender. Although certain schools have a low student population, the physical spaces are nevertheless utilised. As such, cleaning needs to cover the whole school area and not just a part of it, regardless of the school population. This increases the cleaning rate per student in certain schools with lower population.</p>		

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Hours of Sub-contracted Cleaning required not substantiated</p> <p>MEDE is recommended to implement adequate controls, particularly ensuring that timesheets prepared by contracted cleaning staff are accurate and that these are being appropriately vetted by a responsible officer. Supervision over the sub-contracted employees is also encouraged to ascertain the proper provision of cleaning services. Departures from contracted cleaning hours are to be clearly documented and justified, whilst invoiced hours and rates are thoroughly checked against supporting records before payments are effected. Attendance sheets are not to be approved unless endorsed by the respective Head of School.</p>	<p>✓</p>		<p>The precinct officer, as well as a person on contract with MEDE, supervise cleaning staff and the level of cleanliness in state schools. The precinct officer also checks and endorses the hours being charged by the contractor. These invoiced hours are checked against signed timesheets. The endorsed invoices are forwarded to the finance section within MEDE, which are vetted for precarious work against the employees' payslips. Payment is issued when all the checks are carried out and all is compliant.</p> <p>There is a board to oversee the cleaning requirements of schools and any changes have to go through this board.</p> <p>No overlapping times are in evidence.</p> <p>The attendance sheets are all endorsed by the respective head of school.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Procurement not covered by any Documentation</p> <p>The procurement process is to be carried out in line with the Public Procurement Regulations, thus ensuring fairness and transparency.</p>	<p>✓</p>		<p>In September 2017, MEDE took the necessary administrative steps to rectify and regularise the contract with DoC by submitting a request for additional hours. Approval from DoC was granted.</p> <p>A separate file was created for each school, and the approved hours per school are being recorded on file, thus ensuring transparency.</p>	<p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Invoiced Amounts not backed up by Supporting Documentation</p> <p>The Department is to ensure that contracted cleaning services are supported by reliable timesheets, enabling verification.</p>	✓		<p>No payment is issued by the finance section if not supported by all documentation.</p> <p>Request for payments included the invoice, the respective timesheets and, in certain cases, an additional sheet summarising the hours worked by each cleaner.</p>	Implemented
<p>Divergences from the Contracted Service Terms</p> <p>Regular checks, aimed specifically at ensuring that contracted terms and conditions are abided with, are to be incorporated in the monitoring process. Moreover, any changes are to be formally approved, documented and endorsed by both parties.</p>	✓		<p>MEDE is aware that the monitoring systems need to be further enhanced. Regular checks are being performed by MEDE personnel. MEDE devised a checklist to be used upon receiving the invoice.</p> <p>As per the tender agreement, 35 hours per day may be requested for cleaning services during school holidays (<i>Skolasaff</i>).</p>	Implemented Implemented
<p>In Pending Invoices not accrued for</p> <p>MEDE is to adhere to the provisions of MF Circular No. 10/2001 – ‘Government Accrual Accounting: Procedures for the Control of Debtors and Creditors’ and accordingly record all obligations for goods and services that have been received but not yet invoiced by year-end as accrued liabilities. This will result in more complete, accurate and timely information whilst maintaining effective control over creditors, as well as easing the eventual transition to accrual accounting.</p>	✓		<p>MEDE is ensuring that all the provisions of the pertinent circulars are being complied with.</p>	Implemented

MSDC
SUPPORT TO VOLUNTARY ORGANISATIONS AND
CIVIL SOCIETY FUND - EXPENDITURE
(NOW UNDER THE MINISTRY FOR EDUCATION
AND EMPLOYMENT)

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

Weak Internal Controls

In order to ensure business continuity, as well as enhancing internal controls within MCVS, the key person dependency risk is to be mitigated by appointing another official and splitting the process accordingly. This will create segregation of duties and also avoid delays in processing the applications.

Standard working procedures are to be established for the checking of application forms and their eligibility. This is required to streamline the evaluation methodology and ensure transparency of the selection process. Furthermore, such workings and supporting documentation are to be duly filed, for ease of reference as well as for audit purposes.



The Manual for Internal Control Procedures was updated in March 2018.

All processes, starting from the eligibility of applicants up to the final stages of the projects, including payments, will be verified by two separate officials at MCVS.

A checklist has been introduced to confirm that the required receipts and documentation were submitted. The checklist is to be endorsed by the MCVS official responsible for the CSF.

Implemented

Implemented

Implemented

Funding not substantiated

Disbursements from public funds are not to be effected unless the required evidence of the amount claimed and all documentation stipulated in the related guidelines are submitted. Moreover, only eligible costs are to be reimbursed.

Reimbursements are being effected upon presentation of receipts with respect to the expenditure which was eligible for reimbursement. Other supporting documents are being provided by the beneficiaries.

New memoranda of understanding with respect to amounts being paid to civil society organisations have been drafted by MEDE and are to be formalised.

Implemented

June 2018



RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>CONTROL ISSUES</p> <p>Support to Voluntary Organisations</p> <p>Subjective Financial Capacity Assessment of the Beneficiary</p> <p>NAO acknowledges that a financial calculator was designed for the 2017 call. However, in future similar instances, procedures are to be established beforehand, in order to minimise the risk of discrimination between the applicants. In addition, evaluation sheets are to be amended accordingly to avoid any misinterpretation.</p>	✓		Financial capacity was included as an award criteria in the VOPS. In future calls, the MCVS will determine financial capacity at the eligibility stage of the application. The eligibility checklist and the evaluation sheet have also been updated to reflect this change.	Implemented
<p>Required Documents not submitted</p> <p>Unless all the required documentation is submitted with the application, it cannot be considered eligible.</p>	✓		The VOPS guidelines under Part C - Information for Applicants part (d) - Financial Capacity state that the applicant must submit 'a copy of the financial statements for the last closed financial year' with the e-application. The VOPS guidelines, updated in March 2018, stipulate that both financial statements and bank statement are to be submitted with the e-application.	Implemented
<p>Changes to Markings not endorsed</p> <p>Evaluators are to endorse any changes and include the respective date, to give assurance that changes were made with their consent and in a timely manner.</p>	✓		The evaluation sheets are directly marked electronically by the respective evaluators. Such sheets are printed and endorsed by the respective evaluator.	Implemented

IMPLEMENTED OR
DATE BY WHEN


ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Irregularities in Financial Assistance</p> <p>The Voluntary Organisations Contingency Fund Rules of Procedures are to be invariably followed, to ensure that financial support is fairly distributed and to enable proper verification.</p>	<p>✓</p>		<p>A new set of rules were developed in order to ensure that financial support is fairly distributed.</p> <p>Furthermore, a Voluntary Organisations Contingency Fund Board has been appointed by the ministry's permanent secretary to vet and adjudicate applications, and make recommendations to the permanent secretary.</p> <p>The terms of reference with respect to the Voluntary Organisations Contingency Fund were established in March 2018.</p> <p>The management is to ensure compliance.</p>	<p>Implemented</p>
<p>Civil Society Fund</p> <p>Overpayments</p> <p>Reimbursement of flights and per diem allowances are to be provided in line with the established rates. Furthermore, overpayments are to be recovered accordingly, evidence of which is to be provided to NAO.</p>	<p>✓</p>		<p>Overpayments have all been recouped except for one. The MCVS is in the process of recouping this overpayment.</p>	<p>June 2018</p>
<p>Published Results not updated</p> <p>For the sake of transparency, a list of all organisations benefiting from CSF is to be published accordingly in a timely manner.</p>	<p>✓</p>		<p>Results are being published online on the MCVS website.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Contributions not formally backed up</p> <p>Whilst acknowledging that amounts were established when such contributions were still not under the remit of MCVS, the latter is to ensure that any amounts distributed from public funds are authorised in writing from the right level of authority.</p>			<p>New memoranda of understanding with respect to amounts being paid to civil society organisations have been drafted by MEDE and are to be formalised.</p>	<p>June 2018</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

GOOD PRACTICE

<p>NAO is satisfied that procedures and controls in relation to the accounting of revenue were in place and correctly followed by the TM and accordingly reflected in the Departmental Accounting System.</p> <p>Furthermore, all relevant documentation at the TM was held in an organised manner and was made available for the audit upon request.</p>				
---	--	--	--	--

KEY ISSUES

LIMITATIONS ON SCOPE OF AUDIT

<p>Whenever details of a contravention ticket are entered into the LES, a restriction is automatically generated in VERA that impedes the vehicle owner from renewing the driving licence. Contraventions will only be lifted whenever they are paid, petitioned, or there is a judgement in favour of the vehicle owner whereby the fine is no longer due. A restriction created by a pending contravention ticket may also be temporarily removed to allow the vehicle owner to pay the licence following a signed agreement with LESA. Authorisation by a LESA official is required for such temporary lifting, however the actual lifting of the contravention ticket is carried out by the LES system provider.</p>			<p>The Datatrak IT Services Ltd. had signed an agreement in 2011 with the five regions, an agreement which was automatically borne by LESA when it was established by LN 153/2015. All agreements are available.</p> <p>Following approval by the General Contracts Committee for negotiated procedure, approval was granted to extend the agreement with the current service provider for a 5-year period.</p>	<p>Implemented</p>
--	---	--	---	--------------------

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

<p>Because of the inherent risk created by the fact that such temporary lifting of contravention tickets is done by the external supplier, the NAO requested a report showing all the contravention tickets that were lifted during 2016.</p> <p>Although LESA was to forward this request to the service provider, such report was not provided to the NAO at audit testing stage. It is pertinent to remark that, together with the management comments, LESA subsequently forwarded the ad hoc report in spreadsheet format listing the 'temporary lifting' instances during 2016. Management itself outlined the fact that this report is as provided by the service provider.</p> <p>The NAO opines that the fact that the LESA is not in a position to extract this report itself, but has to rely on its service provider, poses a significant risk that unauthorised lifting of contravention tickets may go unnoticed. This therefore leads the NAO to conclude that LESA is not conducting periodical checks on this practice, which can be considered as a control weakness within the Agency. Due to this risk, the NAO further opted not to conduct any testing, since it has strong concerns on the integrity of the data provided.</p>	<p style="text-align: center;">✓</p>	<p>A new agreement has been signed with a software provider. Amongst others, the agreement stipulates that</p> <ul style="list-style-type: none"> • “the Contractor will make available a list of reports on the system intended as Management Reporting tools that will allow for the direct access and monitoring of the System by the Contracting Authority”. • The ‘Restriction Lifted Report’ is included as one of the minimum requirements; and • provides for “IT Audits related to the Systems as instructed by the Contracting Authority”. 	<p>Implemented</p>
---	--------------------------------------	---	--------------------

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

<p>Furthermore, although the agreement outlining the relationship between LESA and the LES service provider was requested by the NAO on numerous occasions, said document was also not provided to this Office. Therefore, it was not possible to assess the level of responsibility put on the service provider as regards the lifting of contravention tickets.</p>				
---	--	--	--	--

CONTROL ISSUES

<p>No Formal Procedure to chase Contraventions due on Scrapped and Garaged Vehicles</p> <p>The NAO strongly recommends that the TM, in liaison with LESA, introduces enforcement mechanisms to collect pending contraventions whenever a vehicle is going to be scrapped or garaged. Moreover, a system to chase and collect any existing contraventions in relation to those vehicles which have already been scrapped or garaged, and are therefore no longer in circulation, is to be implemented.</p>	<p>✓</p>		<p>No vehicle can be transferred, scrapped or have its licence renewed except for those under the scrappage scheme (ART 56 of SL 6524) unless all contraventions issued on it are paid. SOPs are in place between LESA and TM to cater for these situations and to ensure that no contraventions remain unpaid.</p> <p>Furthermore, LESA has a debt collection procedure in place documented in an SOP.</p> <p>TM will start sending LESA monthly reports listing vehicles scrapped under the scrappage scheme to enable LESA to chase and collect debt.</p> <p>The management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2018</p>
--	----------	--	---	--

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Contravention Tickets given to an Individual other than the Vehicle owner</p> <p>The introduction of a system to cater for the collection of these types of contraventions could be considered. This would allow these specific individuals to be chased separately and ensure that the contraventions due are duly collected.</p>	✓		<p>In order for this recommendation to be fully implementable, a change in legislation is necessary. Options are being explored.</p>	
<p>Non-collection of Contraventions upon Transfer of Vehicles</p> <p>The TM and LESA are to specifically address these instances of contravention tickets which remain pending upon the transfer of a vehicle. Procedures should be put in place to invariably ensure that such amounts are flagged for collection as soon as the tribunal reaches a decision.</p>	✓		<p>LESA are liaising and have a formal procedure with Transport Malta in order to collect all dues before any vehicle transfer is effected.</p> <p>LESA LN 331/2017 on Penalty Points caters for the collection of such amounts and allows only 30 days from the tribunal's first decision for the driver to appeal to the Board of Petitions or Court.</p>	Implemented
<p>Lack of Control over Payment Contracts</p> <p>It is highly recommended that the various agreements entered into by LESA are periodically followed-up to ensure that they are being honoured.</p>	✓		<p>LESA is utilising legal experts to assist in debt chasing.</p> <p>The debt collection procedure will be documented in a standard operating procedure.</p> <p>The management is to ensure compliance.</p>	Implemented Implemented

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Lifting of Contravention Tickets without an Agreement</p> <p>Requests for lifting of contraventions should only be considered against a valid reason, and preferably after a signed payment agreement is in place.</p>		<p>This was a humanitarian case referring to a person who was undergoing intensive health treatment abroad. His relatives contacted the LESA to renew his licence as they were receiving daily contraventions.</p> <p>The lifting was approved on a temporary basis to allow for the renewal of the licence. Upon renewal, the restriction was re-applied.</p> <p>Eventually, this person signed a repayment agreement on 27th July 2017, when he deposited €1,000 as part payment of his dues. He has since paid another €2,000, this on 26th February 2018.</p>		
<p>Contravention Tickets excluded from Payment Agreement</p> <p>It is recommended that thorough checks are carried out before entering into an agreement with a vehicle owner to ensure that all contraventions due are included and eventually paid.</p>	<p>✓</p>		<p>Each agreement is kept separately and contains an exhaustive list of contraventions.</p> <p>LESA is maintaining a readily available list of all debtors, with fields indicating fines pending judgement and tribunal-confirmed contraventions.</p>	<p>Implemented</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

COMPLIANCE ISSUES

Shortcomings with respect to Contract for Service Agreements

The GHRC must ensure that appropriate calls for Expression of Interest are to be issued to enable fair and competitive selection of service providers, whilst a valid and signed Contract Agreement covers all work periods. Moreover, the GHRC is to retain all relative documents for audit trail purposes.

Any allowances paid to the service provider over and above the hourly rate should be included with the monthly invoice presented to the GHRC for payment, with the latter issuing one payment accordingly. If such allowance is given in the form of reimbursement of expenses, proof of such expenditure has to be submitted by the service provider concerned.

Additionally, contracts for service should not include entitlement for vacation leave or sick leave, given that the person engaged to provide such service(s) is not a direct employee of the GHRC.



The GHRC confirms that engagement of personnel is in general still being directly contracted out owing to the time constraints involved in carrying out projects and the lack of experts/professionals who are willing to be engaged with the GHRC on a full-time basis. The salary and grading structure for the GHRC was approved by the IRU on 8th November 2017. Subsequently, in January 2018, HR plans were re-submitted to P&SD. These plans are being reviewed and approval is expected shortly. Once this approval is received, the GHRC will issue calls/expressions of interest in compliance with Directive 7. A full audit trail will be kept for all engagements procedures.


Implemented

Implemented

Reimbursements are supported by relevant fiscal receipts.

The contract for service mentioned by the NAO was a one-off contract. None of the contracts for service in force include entitlement to vacation leave or sick leave.

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Retrospective Approvals</p> <p>Appropriate planning is to be conducted prior to the issue of a call for quotations and/or tenders, whilst ensuring that tender documents and work specifications incorporate all material and services necessary for the full execution of the project. In the event that variations to projects are unavoidable, prior approval is to be requested and duly obtained from the appropriate level(s), before works are executed.</p> <p>The GHRC should also ensure that necessary approvals are sought and obtained in a timely manner, before entering into any commitments with service providers.</p>			<p>Recommendation has been noted. The GHRC will aim to obtain prior approval for all variations. However, it must be noted that for particular projects, unforeseen requirements on site might require immediate action owing to health and safety issues, logistics and accessibility. Such cases require urgent action that might not permit prior approval.</p> <p>Recommendation has been noted. As per the letter dated 18th May, 2017, the GHRC sought to use the services of the Malta Police Force. However, owing to an irregular availability of police officers, other service providers had to be contracted particularly owing to health and safety issues, logistics, and traffic management. The project was that of the Great Siege Road, Biskuttin, and Triton Square. Continuous surveillance was necessary throughout the project implementation because these are main road arteries where pedestrian and vehicular routes intersect.</p>	

MGOZ
CREDITORS


IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Issues concerning Creditors' Lists provided for Audit Purposes</p> <p>In view of Government's imminent move towards accrual accounting, officers responsible of compiling creditors' returns are to ascertain that all unpaid invoices as at date of submission of the said returns are accurately recorded as payables therein.</p> <p>Attention is also to be directed towards the correct application of cut-off procedures. Accordingly, adequate checks are to be carried out to ensure that appropriate distinction has been made between payables and accruals.</p> <p>Furthermore, ways and means to determine when invoices were actually received are to be established, thus enabling external parties to confirm whether these were received prior to or following the submission of the creditors' lists.</p>			<p>MGOZ Circular No. 01/2018 issued on 4th January 2018, refers to the commitment of every procurement in DAS prior to ordering, rubber stamping every invoice with the date of receipt and the accurate and timely reporting on creditors.</p> <p>The management is to ensure compliance.</p> <p>The requirement of such checks has been included in the SOP that details the work to be carried out on the creditors' control function.</p> <p>Reports of such checks will be presented to the Director General Operations on a monthly basis. The management is to ensure that the discrepancies identified are adequately followed up and acted upon as necessary.</p> <p>Rubber stamps have been provided to the departments.</p> <p>The management is to ensure compliance.</p>	<p>Implemented</p> <p>Implemented</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>Results of Circularisation Letters</p> <p>Appropriate checks are to be carried out to verify that all unpaid invoices have been recorded with the correct amounts and that no invoices have been 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' lists.</p>	✓		<p>The requirement that suppliers will be requested to submit a statement on a quarterly basis, and that this will be tallied with the ministry's records, has been included in the SOP.</p> <p>The management is to ensure compliance.</p> <p>Quarterly statements were requested from suppliers.</p> <p>Reconciliations are carried out once statements are received.</p> <p>Identified discrepancies are being adequately followed up and acted upon as necessary.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Departures from pertinent Circulars and Other Matters</p> <p>It is to be ensured that creditors' returns are submitted to the Accountant General within the stipulated timeframe and that these contain all required data with accurate figures.</p> <p>Attendance to training sessions offered by Government in respect of accrual accounting cannot be overemphasised.</p>	✓		<p>Creditors' returns were submitted to the Accountant General within the stipulated timeframe.</p> <p>MGOZ employees have attended training sessions with respect to accrual accounting. Further training is also planned.</p>	<p>Implemented</p> <p>Implemented</p>

MEIB
MALTA COMMUNICATIONS AUTHORITY - REVENUE
(NOW UNDER THE OFFICE OF THE PRIME
MINISTER)

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUES

<p>Untimely Transfer of collected Fees to Government</p> <p>The MCA is to ascertain that fees collected from operators on behalf of Government are remitted to the respective Ministry without undue delay, thus ensuring best practice and diligent handling of public funds. Moreover, it will enhance cash management at the central level of Government.</p>	<p style="text-align: center;">✓</p>		<p>The MCA implemented better management processes for its cash flow by segregating revenues accrued from authorisation fees and revenues generated from activities undertaken on behalf of the Government in separate bank accounts. This measure will ensure that fees collected from operators on behalf of the Government are remitted monthly.</p> <p>Operators are informed on the invoice that interest will be charged on payments effected after one month from the date of issue. In general, interest is being charged for late payments.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Reliance placed on Information provided by Operators</p> <p>In order to minimise the risk of operators utilising apparatus not duly covered by a valid licence and consequently, the respective fees not being adequately charged, the MCA is to increase the number of inspections it carries out on different operators. The Authority is also to keep abreast with the latest technological developments, which could be beneficial for the detection and identification of unlicensed use of links and/or equipment.</p>	<p style="text-align: center;">✓</p>		<p>As per LN 242 of 2016, the charge of €0.35 for each utilised number has been removed. Thus, as from 1st January 2017, the risk mentioned in the NAO's report is no longer applicable. As from the same date, charges are issued on 10K number blocks allocated by the MCA, irrespective of the number used as DDI or non-DDI.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Furthermore, given that at present, on-site verifications still rely substantially on the operators' declarations on the location and quantity of equipment held, the Authority is to consider proposing more effective methods of verification and levying of fees to operators. Hence, alternative fees directly linked to the equipment in use, in particular those applicable to mobile and portable radio communication devices, as well as the charge per utilised number in respect of numbering fees, are to be sought.</p>	<p style="text-align: center;">✓</p>		<p>During 2017, the MCA carried out inspections on PMR and Aero-ground. Sixty-six (66) licences were inspected, i.e. 37% out of one hundred seventy-eight (178). The remaining inspections (112 out of 178) on PMR and Aero-ground will be conducted by the end of 2018. The MCA confirmed that all new licensees will be subject to an inspection.</p> <p>The MCA will also be inspecting licensees who require a change in equipment. In this regard, inspections will be carried out following prioritisation of licensees. The MCA is to ensure that a risk-based methodology is adopted when prioritising licensees for inspection.</p>	<p>December 2018</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Authorisation for Deductions from Amounts due to Government not evidenced

The MCA is to ensure that it is in possession of official documentation, endorsed by the appropriate level of authority, confirming that it is entitled to withhold part of the amounts collected on behalf of Government. This document is to clearly stipulate the nature of the expenses which are allowable as deductions, as well as how these amounts are to be calculated.

X

In accordance with the MCA Act Cap. 418 Article 14, the Act specifies the following principles with regard to the issue of excess revenue on expenditure generated by the MCA. The law states that the authority will levy all fees, rates, and other payments prescribed under this Act. Article 14 (4) also states that any excess of revenue over expenditure will, subject to such directives as the Minister, after consultation with the Minister for Finance, be applied by the authority to the formation of the reserve fund to be used for the purpose of the authority. The Minister may also order the transfer to government of any part of these excess fees.

The authority's financial projection, including revenues and deductions, forms part of the business plan regulated and approved by the Minister under the same Act.


RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Weaknesses in Radiocommunications Licensing and Invoicing</p> <p>The MCA is to consider exploring feasible ways of integrating computer programs currently in use, thus reducing the likelihood of errors. Manual inputting and manual processing of data is also to be kept at a minimum.</p>	✓		<p>The MCA integrated the IT accounting systems in use to issue invoices to operators and reduce manual inputting and processing. The authority stated that they have amalgamated the current computer systems to reduce the risk of input errors. Information included on the invoices is being checked with the inspection report after a physical inspection is carried out.</p>	Implemented
<p>Fees transferred twice to Government</p> <p>The Authority is to continue ensuring that all transfers to Government are appropriately reconciled with the respective invoices. Any over/under payments are to be adjusted for within a reasonable timeframe.</p>	✓		<p>Reconciliations are being carried out. The MCA stated that there were no over/under payments during 2017. No double payments were evidenced since the NAO Audit.</p> <p>Evidence was provided that an adjustment was effected in respect of the €775 highlighted by the NAO.</p>	Implemented Implemented

MCDMS
CREDITORS
(NOW UNDER THE MINISTRY
FOR ENERGY AND WATER MANAGEMENT)

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

KEY ISSUE

<p>Weaknesses in the Collection of Data for Compilation of Creditors Returns</p> <p>Management is to consider adopting a more centralised system for receiving purchase invoices. This would facilitate the reporting of creditor balances in the respective quarterly returns, thus safeguarding the accuracy and reliability of the information recorded. It is also recommended that the date of receipt by the Ministry is clearly indicated on all invoices.</p>	<p>✓</p>		<p>The portfolio and responsibilities of the MCDMS have been allocated to other ministries, thus the recommendation for the MCDMS to have a centralised system for receiving purchase invoices is no longer applicable.</p> <p>Furthermore, all outstanding creditors were paid by December 2017.</p>	<p>Not Applicable</p>
<p>CONTROL ISSUES</p>				
<p>Creditors as at Year End not reported in Return</p> <p>In order to minimise the risk of omitting outstanding purchase invoices from reports sent to Treasury, records of invoices received, or at least copies thereof, are to be kept centrally by the Accounts Department. The data maintained is to include the invoice date, supplier name, amount and payment date.</p>	<p>✓</p>		<p>The creditors report for the fourth quarter of 2017 was not submitted to the Treasury. OPM confirmed that all outstanding creditors related to the MCDMS were paid by December 2017.</p>	<p>Not Applicable</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Repeated Payment effected by the Ministry</p> <p>While the Ministry is expected to recoup the extra amounts paid to the supplier in question, it is to ensure that basic checks are carried out before raising Payment Vouchers, such as verifying whether the amount was already invoiced and/or paid for, thus eliminating the possibility of double or multiple payments relating to the same invoice.</p>			<p>Extra amounts paid to the supplier were recouped.</p> <p>The portfolio and responsibilities of the MCDMS have been allocated to other ministries, thus the recommendation for the MCDMS to ensure that basic checks are carried out before raising payment vouchers is no longer applicable. Furthermore, there are no outstanding creditors to be paid.</p>	<p>Implemented</p>

MEH
MEDICINE AND SURGICAL MATERIALS -
EXPENDITURE
(NOW UNDER THE OFFICE OF THE DEPUTY
PRIME MINISTER AND MINISTRY FOR HEALTH)

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION OF SCOPE

<p>Physical Counting of Stock</p> <p>A private audit firm was primarily responsible for carrying out the stock take undertaken during January 2017. Management stated that a report showing discrepancies between physical counts and stock records, together with the relative explanations, was still in the process of being compiled by end May, when the audit was in its final stages. Although a report showing discrepancies was submitted in July 2017, the relative explanations remained pending by end September, when the Annual Audit Report was concluded.</p>	<p>✓</p>		<p>A stock take exercise for 2017 was undertaken by the independent audit firm.</p> <p>Two pharmacy technicians within the Procurement Unit and the ERU were recently engaged by the CPSU in order to carry out a random cyclic counting of stock throughout the warehouse. This is being undertaken as part of the system being adopted to increase control on stock records.</p> <p>The management is taking the necessary actions following the stock take exercise.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2018</p>
<p>Expired Stock not marked accordingly</p> <p>Enquiries concerning expired stock that was not identified as such by Management remained pending by the end of the audit. The aggregate value at cost of these items was €861,860.</p>	<p>✓</p>		<p>A board has been appointed to decide upon unserviceable and obsolete items at the CPSU San Gwann stores.</p> <p>The cost of the expired items, which amounted to €861,860, constitute less than 1% of the total CPSU annual purchases, exceeding €100 million, in medicines and medical supplies. A large proportion of this amount is attributable to the pandemic stockpile of Tamiflu (€680k) which was purchased just in case for the pandemic in 2009, and which was tested through a qualified professional laboratory with the test results confirming that the product is still as effective as when it was originally produced and could still be used in cases of outbreak. Moreover, it is also relevant to note that in certain cases</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
			stocks are kept as standby in order to be available immediately upon need and this may result in wastages as the hospital cannot remain without these essential supplies.	

KEY ISSUE

<p>Management of the Allocated Funds Management's intention to ring-fence such budget on the entities, so that each is accountable for the respective allocation, is to be implemented as soon as possible.</p>	✓		<p>An alternative system has been adopted whereby the entities are responsible for sending CPSU an annual forecast every 3 months. Since January 2018, the entity is listing the items, and the amount forecasted is sent to the entity on a monthly basis. This will assist the entity in validating their forecasting exercise and reducing wastages. As a final phase to this exercise, the entity will be sent all items monthly without the need of raising an order.</p> <p>Costs of supplies are being borne by CPSU-MFH and these are being invoiced to SVPR with every consignment, but this has always been a paper transaction as there is never any recharging of funds back to the MFH.</p>	<p>Implemented</p> <p>Implemented</p>
---	---	--	--	---------------------------------------

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Security Controls</p> <p>Whilst acknowledging that plans are underway for the enhancement of security controls, remedial action is not to be unduly prolonged. CPSU officers are to be assigned physical accessibility only to designated areas, as required, to enhance accountability, while entry by outsiders is to be forbidden.</p>	<p>✓</p>		<p>A request for funds for this project was made but only a portion of the budget was allocated, and CPSU is prioritising on the most urgent components.</p>	<p>July 2018</p>
<p>Computer Stock Records</p> <p>Management should endeavour to limit the amount of expired stock as much as possible in order to avoid the waste of resources. When such expiry is inevitable, action to write off the respective stock, in line with the General Financial Regulations and Treasury Circular No. 06/2004, is to be taken within a reasonable time. Input of information is to be accurate and complete.</p>	<p>✓</p>		<p>A new procedure has been adopted whereby both the tender document and the contract stipulate that upon expiry, the expired goods will be removed by the supplier within 7 days from the expiry date. The supplier will also credit CPSU for such expired items. Furthermore, penalties will apply in those cases where the supplier does not adhere to such conditions.</p> <p>In addition, a board has been appointed to decide upon unserviceable and obsolete items at the CPSU San Gwann stores. The board will be meeting on a quarterly basis.</p> <p>Stock take exercise for 2017 is now completed.</p> <p>Expired items are being disposed of through a board of survey. A particular stock item was not disposed of in view of the fact that it is being certified by the pertinent professionals as fit for use.</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>During the stock take auditors did not encounter any expired items (except for those that the management had already identified as such as detailed in this report). All the items included in the sample were labelled and had an expiry date. The expired stock was segregated from the other stock in the warehouse. The expired Tamiflu was shelved in a quarantined area to be used only for emergency cases. The other expired stock is being stored in another area to be disposed of. No expired items were encountered during a sample stock take.</p>	Implemented
	✓		<p>The issue related to secrecy implied during negotiations still persists. The CPSU is to liaise with the Treasury to find a solution, more so in the light of the introduction of accrual accounting.</p>	Implemented
	✓		<p>The new stock system limits any instances of such occurrences, thereby clearly reducing margins of error performed by its users given that barcodes are being utilised.</p>	September 2019
<p>Discrepancies between Records</p> <p>Enhanced accountability is expected, especially in view of the sensitivity and value of certain stock items. Although NAO acknowledges that discrepancies can never be eliminated in their entirety, more needs to be done to find a reasonable and practical operational solution in order to minimise such differences.</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>Shortfall in Single Bond It is to be ensured that contractors submit the required single bond in accordance with values for cumulative contracts established by the Department of Contracts.</p>	<p>✓</p>		<p>Single bond on CPSU contracts is taken on the total annual contracts at that point in time.</p>	<p>Implemented</p>
<p>Statutory Stock Return not submitted to NAO Management is to ensure that the necessary information is duly submitted to NAO in line with statutory requirements.</p>	<p>✓</p>		<p>CPSU is undertaking a reconciliation exercise through an independent audit firm, following which the statutory stock return for 2017 will be submitted</p>	<p>June 2018</p>

MEH
MATER DEI HOSPITAL
EXPENDITURE - CONTRACTUAL
AND PROFESSIONAL SERVICES
(NOW UNDER THE OFFICE OF THE DEPUTY
PRIME MINISTER AND MINISTRY FOR HEALTH)

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUE

Provision of Car Park and Traffic Management Services
 When entering into agreements, MDH is to ensure that Government's interest is duly safeguarded, in order to maximise potential revenue. Furthermore, extensions are to be granted only if such possibility is included in the respective call for tenders. The necessary approvals are also to be invariably obtained, in line with PPR, prior to commitment for the procurement of service.



The new concession tender, 'Tender for the Concession for the running of the car parks and provision of traffic management services at Mater Dei Hospital and Sir Anthony Mamo Oncology Centre', under reference Adv. No 019-90001/18, was published.

The concession requests a minimum fee of €100,000 (excl. VAT) as well as percentages on the concessionaire's turnover, payable to MDH.

A tender will be awarded and implemented with a new contractor, following the evaluation process.

MFH obtained approval from the Department of Contracts to extend the present contract from 1st January 2018 to 30th June 2018, or until the published concession is awarded.

Implemented

Implemented

September 2018

Implemented

CONTROL ISSUES

Cleaning Services
Services rendered beyond the Contracted Period

MDH is to ensure that additional expenditure outside the scope of the contract is made in line with PPR, in order to promote fair competition and transparency. Furthermore, formal contract extensions are to be in place, as applicable.



MDH obtained an *in principal* approval from the DoC, dated 15th December 2015, to enter into a negotiated contract from 1st November 2015 to 31st May 2016. On 27th September 2016, an updated request was sent to the DoC for retrospective definite approval from 1st November 2015 to 31st December 2016.

June 2018

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

			<p>MDH also obtained an <i>in principal</i> approval from the Department of Contracts, dated 16th November 2016, to enter into a negotiated contract from 1st January 2017 to 30th June 2017, including a condition that the contract is 'to be extended on a monthly basis after June 2017 or until the new tender is awarded.'</p> <p>On 4th April 2017, the DoC provided its definite approval for the negotiated procedure for period starting from 1st January 2017 up to 30th June 2017, extendable on a monthly basis up to 31st December 2017. A tender is to be issued.</p> <p>On 17th January 2018, MDH made a request to the DoC to enter into a negotiated contract with the current service provider for the period 1st January 2018 up to 30th June 2018 at the maximum expenditure of €3,309,390 (excl. VAT). The DoC approved the request on 2nd February 2018, and it was subsequently signed in March 2018.</p>	Implemented
--	---	--	--	-------------

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Shortcomings in Attendance Records</p> <p>NAO emphasises the importance of an effective internal control system on attendance records. MDH is to ensure that the attendance sheets are signed in a timely manner and endorsed by the appropriate officials.</p> <p>Furthermore, biometric records are to be duly checked and explanations sought from the service provider, where divergences in attendance records are clearly evident.</p> <p>In the meantime, considering that MDH is presently drafting tender specifications for the installation of attendance verification equipment across the Hospital, NAO recommends that such equipment is installed in various strategic points at MDH to be accessible by the contractual staff, and to fully utilise the benefit of authenticating and automating the attendance verification system.</p>	<p>✓</p>		<p>Biometric attendance equipment is being used by the cleaning staff. Attendance verification equipment is installed at the MDH reception area and upon entrance to the administration offices. Such areas are strategically placed for both contractual staff and MDH staff. Attendance sheets are being endorsed by the nurse in charge of the ward.</p> <p>The management will be monitoring this process to ensure continuous compliance.</p>	<p>Implemented</p>
<p>Leasing of External Fixators, Components and Instrumentation</p> <p>Anomalies with respect to Approvals and Agreements</p> <p>In order to promote fair competition and transparency, a call for tender is encouraged in line with PPR. Formal agreements are also to be entered into prior to any commitment.</p>	<p>✓</p>		<p>A tender has been issued and awarded.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Unreturned Supplies</p> <p>Whether on lease or not, MDH is to seek ways on how the cost of such items can be recovered. Furthermore, internal controls are to be in place so that there is full audit trail.</p>	✓		<p>MDH keeps a database wherein surgeries and deposits paid by the patient are being recorded. Furthermore, an SOP providing guidelines on the payment of the deposit to safeguard the return of all external fixators after use was issued to the orthopaedic wards.</p>	Implemented
<p>Internal Security Services</p> <p>Perpetual Extensions and Retrospective Agreements</p> <p>Ideally, a fresh call for tenders is to be issued whenever a contract expires in order to ensure that the best rates and conditions are obtained within the framework of a transparent and fair selection process. Extensions are to be resorted to only in exceptional cases rather than becoming the norm.</p>	✓		<p>The tender will be issued.</p> <p>MDH obtained approval from the Department of Contracts for a negotiated procedure from 1st January 2018 to 30th June 2018.</p>	June 2018
<p>Attendance Verification System not utilised to its full potential</p> <p>Management is encouraged to utilise the biometric electronic attendance verification system to its full potential in order to monitor the service provided by the contractor and settle payments in accordance with the total number of hours of services rendered.</p>	✓		<p>New attendance verification equipment was installed by MDH in the reception area, and security personnel will be making use of this equipment. Currently, all contractual staff is being entered in this system and palm readings are being taken.</p> <p>A head of security was employed at MDH to monitor contracted security personnel.</p> <p>Attendance sheets were revised to include room for a signature under the pre-printed times so that the actual times worked can be included in by the signing staff.</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>Provision of Terminal Disinfection of Hospital Isolation Room</p> <p>Irregularities in the Procurement of Services</p> <p>MDH is to strive to ensure that procurement regulations are invariably complied with. In order to obtain the best rates and conditions, a fresh call for tenders, based on proper cost estimations, is strongly encouraged.</p>	<p>✓</p>		<p>MDH will purchase the equipment for terminal disinfection through an open tender and will include the resources to perform such cleaning with this equipment as part of the main cleaning tender with an hourly rate. This will ensure that the best rates are obtained.</p>	<p>December 2018</p>
<p>Disinfection Services not substantiated by relative Authorisation</p> <p>Requests for payments are not to be honoured unless the service is substantiated by the forms with the patients' details provided by the Infection Control nurses.</p>	<p>✓</p>		<p>The Infection Control Unit is authorising and approving disinfection only if the necessary documentation has been duly approved.</p> <p>The management is to ensure completeness of supporting documentation.</p>	<p>Implemented</p> <p>June 2018</p>
<p>Neurophysiology Technologist Services</p> <p>Over-dependency on Sole Service Provider</p> <p>MDH is to continue with its efforts to seek neurophysiology technologist/s in order to decrease the patients' waiting lists. In the meantime, the current technologist is expected to abide by the applicable agreement and provide the necessary training</p>	<p>✓</p>		<p>Vacancies in neurophysiology speciality have been included in the 2018 HR Plan for MDH.</p>	

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>to any prospective candidate so that business continuity, in the best interest of the patients themselves, is ensured.</p>	✓		<p>On 19th January 2018, MDH was granted a direct order approval from the Direct Orders Office at MFIN to enter into a 2-year service contract for the sum of €120,060 with the current neurophysiology technologist.</p> <p>A contract for service agreement was signed on 11th March 2018. The requirement on the service provider 'to provide the necessary training to any prospective candidate as might be proposed by the Health Authorities' has been included in the contract.</p>	Implemented
<p>Procurement of Consultancy Services</p> <p>By-passing of Procurement Regulations</p> <p>MDH is to ascertain that services provided are invariably covered by an agreement. A continuous series of contracts by direct order with the same service provider is not encouraged.</p>	✓		<p>The services are being provided by an ex-public service employee who is very knowledgeable on service contracts and tender dossier preparation. These services are being sought for knowledge transfer to new employees at the MDH procurement section.</p> <p>The direct order was approved by CEO CPSU on 5th January 2018 for a period of 6 months, effective as from the last date of signature on contract, at the rate of €13.16 per hour (incl. VAT).</p> <p>Contract for service will be terminated this year.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Collection, Transportation and Disposal of Hazardous Clinical Waste</p> <p>Lack of co-ordination within the Department of Health</p> <p>Effective internal communication between the Financial Controllers of the respective entities needs to be thoroughly enhanced. The Department of Health is to take action to assign overall responsibility for keeping track of expenditure in connection with the collection, transportation and disposal of hazardous clinical waste arising from various entities.</p>	<p>✓</p>		<p>On 22nd December 2017, CPSU issued an internal note to all economic operators whereby <i>'the Economical Operator is being held accountable to inform CPSU, once the thresholds of 75% and 100%, of the total contract value, are reached.'</i> It was also stated that <i>'No payment will be made for supplies, services or works should the threshold of 100% be exceeded without prior written authorisation by CPSU.'</i></p> <p>CPSU are in discussion to set up a Contracts Management Unit within its structure. The purpose of this unit will be to monitor contracts, including expenditure control.</p>	<p>October 2018</p>
<p>Travelling Expenses</p> <p>Policies and Guidelines regulating Travel Benefits to Foreign Medical Professionals not formalised</p> <p>NAO reiterates the need of formal documented policies and guidelines to regularise travel benefits to foreign medical professionals. Furthermore, whilst acknowledging that as from October 2016, following legal advice, additional flight expenses were no longer to be processed, MDH is to ensure that any type of reimbursement is duly justified and officially approved.</p>	<p>✓</p>		<p>In principle and practice, travel entitlements were totally excluded from new locum employment contracts as from end 2015. A related policy has been drafted and is at legal consultation stage.</p>	<p>December 2018</p>

MFSS
CREDITORS
(NOW THE MINISTRY FOR THE FAMILY,
CHILDREN'S RIGHTS AND SOCIAL SOLIDARITY)

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Creditors' Year-End Balances not in Agreement with Third-Party Confirmations</p> <p>The MFSS should ensure that all invoices received are to be certified correct within a short stipulated timeframe, to avoid unnecessary delays which may cause distortion in the reported creditors' figure as at year-end.</p> <p>Meanwhile, the MFSS could communicate clearly its procedure to all suppliers and emphasize the need to receive all invoices in time in order to be able to report, as much as possible, accurate figures to Treasury.</p>	<p>✓</p>		<p>A policy titled <i>Policy for better control of Creditors</i>, which requires that 'periodically, i.e. every week, the assigned official resends reminders until the invoice is received', was issued and circulated to all departments and entities within the MFCS.</p> <p>The MFCS is to ensure compliance.</p> <p>Instructions were issued to suppliers through a letter titled 'Outstanding invoice for goods/services rendered' to draw the necessary attention.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Creditors as at Year-End not Reported in Return</p> <p>The MFSS must ensure that it has in place effective policies and procedures governing the collection, processing and payment of suppliers' invoices. This will enhance efficiency, completeness, accountability, reliability and help sustain a more sound Government reporting system for the ultimate benefit of the public in general.</p> <p>Moreover, the NAO is of the opinion that suppliers' invoices are to be rubber-stamped by the Registry Section immediately upon receipt of documents to ensure a proper audit trail.</p>	<p>✓</p>		<p>A policy titled <i>Policy for better control of Creditors</i> was issued and circulated to all departments and entities within the MFCS.</p> <p>The MFCS is ensuring that all invoices are rubber-stamped by the different registries and entities.</p>	<p>Implemented</p> <p>Implemented</p>

MJCL
OFFICE OF THE ATTORNEY GENERAL -
REVENUE

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

KEY ISSUES

<p>No Debtors Register in place</p> <p>In preparation for the eventual introduction of accrual accounting, NAO strongly recommends that the AG's Office follows the circulars in force, whereby the early identification of overdue amounts or other outstanding payments, as well as having an up-to-date debtors' ledger, is required. This would enable sufficient audit trail to verify the completeness of revenue collected.</p> <p>The AG's Office is also encouraged to consider the possibility of making use of a reliable, accurate and comprehensive computerised case management system, which can also provide accurate data on debtors and facilitates timely payment of recoverable dues. Discussions with the Chief Information Officer within the respective Ministry are highly recommended to obtain further advice and support in this regard.</p>	<p style="text-align: center;">✓</p>		<p>A list of all cases is being kept on a sheet with different tabs for the lawyers responsible for the cases.</p> <p>Discussions with the MJCL CIO are ongoing to develop a computerised case management system.</p>	<p>Implemented</p>
<p>Substantial Amount of Debtors omitted from Arrears of Revenue Return</p> <p>Whilst acknowledging that AG's Office has already taken action on certain concerns which were brought to its attention during this audit, a comprehensive assessment is expected to be carried out to identify its debtors.</p>	<p style="text-align: center;">✓</p>		<p>An assessment was carried out to compile the debtor's ledger wherein a record of the payments and chasing of the debtors is stated in brief.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Communication and exchange of information between the Civil Unit and the Accounts Section is to be ongoing. AG's Office is also encouraged to revisit the current system, ensuring that once a bill of costing is issued, it is recorded immediately in the debtors' ledger.</p>	✓		<p>It must be noted that bills of costs may take quite a while to be billed by the Court, and as such debtors cannot be quantified. Thus, such debtors are initially being recognised in the debtors' list and arrears of revenue with zero value.</p> <p>As from 2018, the return of arrears of revenue is being compiled through the data obtained from the debtors' ledger.</p> <p>The debtors' ledger is to be kept updated to ensure that the correct figures are reported.</p>	September 2018

COMPLIANCE ISSUES

<p>Remittances to the Public Account not effected in a timely manner</p> <p>Cash and cheques are to be deposited on a regular basis in line with standing regulations, to ensure that public funds are duly safeguarded.</p>	✓		<p>Cash deposits are being effected on a twice-weekly basis as duly authorised by the MFIN's Permanent Secretary under the General Financial Regulations.</p>	Implemented
<p>Revenue deposited in an Expenditure Account</p> <p>Income is to be appropriately posted in the respective account/s, in line with standing regulations. The necessary adjustment is to be effected for year 2017, by debiting the expenditure account to which the amount was wrongly posted and crediting revenue.</p>	✓		<p>Legal fees recouped from government departments are being deposited in the respective account.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

Despite the stipulated timeframe of six weeks from year-end for the submission of the audited financial statements of MFC, a draft copy was only presented to this Office at a very late stage of the audit, namely on 9 March 2017. As a result, no detailed checks could be carried out.

Further to the above, adequate substantiating documentation was not provided, hindering verifications on the following:

- Attendance records of the employees at MFC, as well as a number of staff employed at the Film Studios.
- Payroll workings, including overtime hours worked, covering the first half of 2016.
- Details of work carried out by two studio custodians in support of payments of overtime and allowances.
- Transactions related to the sampled production, as well as amounts paid to extras.
- Accountancy services procured by the Film Studios, as well as administration and bookkeeping services.
- Amounts paid for accountancy, legal as well as project management and support services.



The audit of the financial statements of the MFC and the Film Studios is in process. Delays resulted owing to a payment dispute, which resulted in both audits being halted. The dispute is now resolved.

Time in and out noted by employees on timesheets for the period January to February were accompanied by the signature of the security. In addition, the HR Manager is certifying as correct such timesheets, as per the PSMC. As from February 2018, a new format for timesheets was introduced whereby the employee signs in and out. The timesheet is certified as correct on a weekly basis by the HR Manager.

Attendance sheets of contracts for service employees started being certified as correct.

An overtime pre-approval process was developed by the MFC and a request for overtime forms was introduced.

The management is to ensure compliance.

June 2018

Implemented

Implemented

Implemented

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>KEY ISSUE</p> <p>Potential Loss of Revenue to Government</p> <p>It is highly recommended that MFC extends the remit of its auditors to verify the eligibility of the cash rebates to confirm their validity, and to ensure that revenue due to Government is duly paid and any irregularity reported accordingly in a timely manner.</p>	✓		<p>The current auditor of the productions will audit all the productions in full. No report has as yet been issued by the new auditor. Productions performed in 2017 have not yet been audited and thus no cash rebates have as yet been given. A contact point with VAT and IRD is still to be established.</p> <p>The MFC Financial Incentives for Audiovisual Productions Guidelines are currently being revised.</p>	<p>October 2018</p> <p>June 2018</p>

CONTROL ISSUES

<p>No Formal Approvals and divergences from the indicated Salary Packages</p> <p>The organisational structure and respective salary packages are to be formally approved, clearly indicating when the related provisions come into force. Moreover, rather than maintained on a spreadsheet, such records are expected to be in a document which cannot be manipulated.</p> <p>It is also recommended that, for transparency's sake, the composition of the entity and the respective salary packages are duly incorporated in the employee handbook. Furthermore, Management is to take the necessary actions to regularise its</p>	✓		<p>The organisational structure and respective salary packages are being formally discussed with the IRU.</p> <p>The draft employee handbook will be re-analysed and then submitted for the approval by the competent authorities before inclusion in the HR plans.</p> <p>Once approval from the IRU for the organisational structure and respective salary packages is secured, the MFC administration will regularise itself with this approval. The MFC is to ensure that payments are only effected in line with approved structure and packages including allowances.</p>	<p>August 2018</p> <p>June 2018</p> <p>August 2018</p>
---	---	--	---	--


IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

<p>position and ensure compliance with the approved organisational structure.</p> <p>Adequate control is also to be exercised over the payment of allowances, in line with the procedures laid down in the Manual of Allowances.</p>				
<p>Other Payroll Concerns</p> <p>Lack of Records substantiating Payroll</p> <p>Duly certified records are expected to be in place in line with the provisions of the Public Service Management Code, making sure that all employees are duly accounted for at all times.</p> <p>Furthermore, all payroll records are to be available at the Commission, irrespective of whether the payroll function is in house or outsourced.</p>			<p>A digital payroll software is in operation. This software is being used to record vacation and sick leave taken and number of overtime hours worked.</p> <p>Attendance sheet timesheets are being used for both employees on payroll and employees on a contract for service.</p> <p>Executives at the MFC will apply for training modules to become conversant with the PSMC, payroll, and public procurement regulations.</p> <p>The finance executive at the MFC is responsible for the payroll.</p> <p>The human resources executive will carry out any necessary payroll and overtime reviews.</p>	<p>Implemented</p> <p>Implemented</p> <p>October 2018</p> <p>Implemented</p> <p>June 2018</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Lack of Information to support Payment of Emoluments</p> <p>Contracts are to clearly stipulate all the terms relating to the respective employment, including but not limited to the working days, hours and the relevant duties. Moreover, attendance records are to clearly show when the said employees are working their normal roster, overtime, a change of duty or carrying duties related to a particular production. As far as possible and practicable, all relevant approvals are to be granted in writing and duly filed with the attendance.</p> <p>Moreover, each payment is expected to be supported by documentation, clearly indicating what the respective amounts relate to.</p>	✓		<p>Any new contract will clearly stipulate all the terms relating to the respective employment.</p> <p>An overtime pre-approval process was developed by the MFC and a request for overtime forms was introduced.</p> <p>The management is to ensure compliance.</p>	Implemented
<p>Film Incentives</p> <p>Tax on Income not paid in its entirety</p> <p>Final withholding tax paid by actors, directors and front camera crew is one of the main sources of income to Government from productions filmed locally. Thus, thorough checks are to be carried out to ascertain that income considered to be earned in Malta has been declared in full. Moreover, Management is to ensure that all documentation required to perform the necessary verification is available.</p>	✗	<p>The MFC does not act as the responsible entity for the settlement of VAT and income tax. All the productions will be audited in full.</p>		

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

<p>Confirmation that complete and accurate information has been filed with the IRD together with the respective payments is important prior to providing the cash rebates.</p>				
<p>Expenses claimed not duly substantiated</p> <p>Ideally, as far as possible, all services over an established threshold are to be backed up by an agreement, clearly setting out the terms and conditions, period covered and rates applicable. MFC is also to obtain any other records supporting the provision of the respective services during filming and related attendance, where applicable, enabling verification of invoiced amounts.</p> <p>Moreover, assertion that adequate resources are available to assist in the administration of film incentives, with a particular emphasis on the necessary comprehensive verifications, is important. The Commission is also encouraged to update its guidelines, incorporating the imposition of penalties on the production companies, where significant shortcomings are identified.</p>	<p>✓</p>		<p>A pre-certificate was available for the film production in respect of which records were noted at MFC.</p> <p>The MFC is obtaining supporting documentation to back the invoices/ expenditure claimed.</p> <p>Guidelines are in the process of being updated.</p> <p>A part-timer working on a flexible schedule was employed to assist the administration of film incentives.</p> <p>A pre-certificate referring to the cash rebates entitlement is forwarded to the Production Company. The final decision lies with the MFC board after the expenditure has been audited by the auditing service provider commissioned by the MFC.</p> <p>It was evidenced that overpayments related to transport were alerted and clearly indicated on invoices.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2018</p> <p>Implemented</p> <p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Malta Film Studios</p> <p>Lack of Documentation supporting Amounts Invoiced</p> <p>Public procurement is to be carried out in a fair and transparent manner, adjudicated on equitable and transparent criteria, thus giving all parties an equal chance. Moreover, it is vital that measures are put in place to ensure that invoiced rates can be tallied to agreed charges prior to payment, also allowing external bodies to carry out independent verifications.</p>	✓		<p>Furthermore, amounts noted on the timesheets were correctly invoiced and certified. No double payments were noted.</p>	
			<p>Executives at the MFC will apply for training modules to become conversant with PSMC, payroll, and public procurement regulations.</p> <p>Quotes for accountancy services were obtained in September 2017. The cheapest quote was selected.</p> <p>Management is to ensure that all claims are duly substantiated by documentary evidence.</p>	<p>October 2018</p> <p>Implemented</p> <p>June 2018</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

AUDIT DISCLAIMER

Although the main income generated by MATS is related to the provision of air navigation services, the invoicing to the respective airlines and collection of amounts due do not fall within the remit of MATS. Consequently, the National Audit Office (NAO) did not delve into the merits of how such revenue is calculated. Testing on this area was focused on the processes and controls in place, with respect to the reimbursements received by MATS from the responsible intergovernmental organisation, namely the Eurocontrol. However, no proper testing could be performed since payments were not adequately substantiated. MATS also confirmed that it is relying completely on the organisation with no further checks and reconciliations from its end.

X

Malta has been a member of the European Organisation for the Safety of Air Navigation (EUROCONTROL) since 1st July 1989. At present, there are 40 other members of Eurocontrol (including all member states of the EU) and all states entrust the Eurocontrol with the billing and revenue collection functions.

The European Commission has also entrusted Eurocontrol to achieve the objectives of the Single European Sky (SES) initiative and ALL members of the EU must comply to regulations aimed at achieving the SES.

Over the last decade, several elements of the Eurocontrol regime, such as the charging and performance review and the common air traffic flow management system, have been successfully enhanced under EU law. As a result, Eurocontrol performs tasks now under the SES legislation. Furthermore, the European Commission designated Eurocontrol to be the Network Manager for the ATM Network functions.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>KEY ISSUES</p> <p>Complete reliance on Information provided by an Intergovernmental Organisation</p> <p>Considering the materiality of the transactions involved, NAO recommends that MATS adopts effective internal controls to reconcile the amounts received on a regular basis, by also utilising the computerised system to its full capacity. These controls will enable the company to establish the approximate amounts due.</p>	<p>✓</p>		<p>MATS has commissioned the new air traffic management (ATM) system which incorporates a Billing and Statistics module. This module is able to generate the required reports to carry out reconciliations.</p> <p>Reconciliations through ATM, which was commissioned and became fully operational in 2017, are being carried out on a regular basis.</p> <p>EUROCONTROL is designated by the European Commission to be the Network Manager for the ATM Network functions under the Single European Skies (SES) legislation.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Lack of Contract Oversight</p> <p>MATS is expected to ensure that the preparation of agreements and oversight role of contract management are carried out more effectively and comprehensively.</p> <p>NAO also recommends that a policy addressing risk management issues is adopted, including an effective dispute resolution process, encouraging a proactive approach and continual discussion with its counterparties as necessary. Furthermore, the credit control system in place needs to be duly enhanced.</p>	<p>✓</p>		<p>Agreements are drafted by the CFO and forwarded to the company's lawyer for finalisation.</p> <p>An SOP entitled MATS Finance and Administration Procurement Process (Admin/Proc/01-18), detailing the procurement process performed by the Administration and Finance Section, was issued in January 2018.</p> <p>MATS Finance and Admin Credit Control SOP, dated 31st January 2018, was obtained.</p> <p>MATS management is to ensure adherence.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Budget Overrun for Works carried out at a Leased Office Space</p> <p>Share of variances is to be agreed upon prior to commencement of the respective works. Furthermore, the responsible officers are expected to ensure that all supporting documentation is retained in file for full audit trail and to back up any quoted amounts.</p>	<p>✓</p>		<p>Works referred to were carried out in 2009. No similar instances were evidenced in 2017.</p> <p>Contracts signed/renewed in 2017/8 stipulate that any maintenance incurred should be borne by the operator. Costs related to health and safety measures are also to be borne by the operator.</p> <p>Contracts signed during 2017/8 were reviewed for this purpose. Invoices and related payments in respect of lease contracts signed during 2017/18 indicate that amounts on invoices are as stipulated in the agreements. All amounts invoiced reflect amounts to be paid to MATS.</p>	<p>Implemented</p> <p>Implemented</p>
<p>Key Clauses protecting Government's Interest not included</p> <p>Professional advice is to be sought when new agreements are being prepared to ensure that necessary clauses to protect Government's interest are included.</p>	<p>✓</p>		<p>The management confirmed that such clauses will be introduced on renewing/entering into agreements in the future.</p>	<p>Implemented</p>
<p>Retrospective or Expired Agreements</p> <p>MATS is to ensure that negotiation of new agreements is made prior to their expiry to guarantee smooth and timely transition.</p>	<p>✓</p>		<p>MATS are initiating negotiations of new agreements prior to their expiry to guarantee smooth and timely transitions.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>No Official Authority to enter into Agreements</p> <p>Board resolutions authorising an official to act on behalf of the company are to be in place in a clear and timely manner. In addition, designated authority levels are to be established in writing, and relevant copies retained for future reference.</p>	✓		<p>MATS is ensuring that board resolutions authorising an official to act on behalf of the company are duly provided on the signing of contracts.</p>	Implemented
<p>Automatic Renewal of Agreements</p> <p>Renewal of agreements is expected to be subject to mutual consent. Thus, clauses of automatic renewals are to be avoided.</p>	✓		<p>MATS management is not including any clauses of automatic renewal in its contracts.</p>	Implemented
<p>List of current Agreements not updated regularly</p> <p>The list of agreements is to be invariably updated to enable MATS to take the necessary actions in a timely manner.</p>	✓		<p>MATS is keeping the list of agreements invariably updated on a regular basis.</p>	Implemented
<p>Invoices not raised in line with Source Documentation</p> <p>MATS is to ensure that invoices raised are in line with the respective agreements. Any proposed changes are to be agreed to by both parties and included within an addendum to the agreement with the lessee.</p>	✓		<p>MATS management is ensuring that any invoices charged to lessees are in line with the respective agreements.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Ineffective Credit Control System</p> <p>The analysis of aged debtors' list and scrutiny of those amounts outstanding beyond a reasonable time will help to identify doubtful debts.</p> <p>Invoices are to be raised and forwarded to the respective debtors in a timely manner and every effort is to be made in order to collect the amounts in question without undue delay.</p> <p>Each debt is to be assessed on a case-by-case basis and, unless reasonably justified, Management is to start charging interest on overdue balances to act as a deterrent.</p>	<p>✓</p>		<p>The debtors' analysis list is being monitored.</p> <p>The management is ensuring that invoices are being issued in line with the respective agreement.</p> <p>A statement about late payments saying that, 'amount due to be settled within 30 days. Without prejudice, MATS reserves the right to charge interest at commercial interest rates on outstanding amounts' is included in all invoices.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Incomplete Documentation in File</p> <p>For completeness sake, all documents are to be kept in the relevant file, in order to ensure that the requested information is available in a timely and comprehensive manner. Management is encouraged to compile minute sheets in files to enhance audit trail and easily retrieve information. Copies of insurances and indemnities are to be held at MATS to ascertain that the company is adequately covered.</p>	<p>✓</p>		<p>MATS management is ensuring that all documents are kept in the relevant files, thus enhancing audit trails and making information easily retrievable.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Accounting Issues</p> <p>The matching, as well as the prudence concept, is to be applied at all times, in order to give a true and fair view of MATS' amounts and receivables. Furthermore, good business practice entails that invoices are to be raised sequentially and properly accounted for.</p>	<p>✓</p>		<p>Provision for doubtful debts was provided for in the latest financial statements relating to 2016.</p> <p>Provision for doubtful debts in the financial statement relates to those from airlines. No provision for bad debts relates to contracts.</p> <p>Financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the Companies Act (Cap. 386).</p>	<p>Implemented</p>

MHAS
DETENTION SERVICE - EXPENDITURE

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

In view that specific individual transactions could not be traced from source to completion, no audit procedures could be carried out to ascertain the accuracy and validity of TOIL balances as at year-end. This also hindered the reconciliation of vacation leave donated during the year under review.

As per agreement entered into between the Government and the General Workers Union on 11 May 2015, salaries of DSOs performing duties in Detention Centres, on a shift basis and working on average a 42-hour week, are assimilated to those paid to public officers on salary scale 14. In view that the aforementioned agreement does not indicate how the plain hourly rate is to be calculated, it was not possible to ascertain that the remuneration, paid to officers who reported to work on Sunday and/or public holidays, as calculated by DS, is correct.

X

Reconciliation of vacation leave and TOIL balances has been in place since January 2016.
The plain hourly rate is in line with the government's schedule of grades (as per the latest collective agreement signed in April 2017).

The method of calculating the allowances, overtime, Sunday and public holiday rates is in line with PSMC provisions and the DSO's agreement between the government and the union.

KEY ISSUES

Lack of Control on Management of Human Resources

Control activities are essential features of every risk management strategy, thus they are fundamental to the successful operation and day-to-day running of any entity. It is therefore recommended that DS develops its own internal control procedures, enabling it to respond

✓

Standard operating procedures covering all processes, including control and monitoring, are being developed and communicated to all concerned.
The management is to ensure compliance.

September 2018

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>to its specific needs. Ongoing monitoring thereof, to evaluate and improve the design, execution and effectiveness of internal controls, are also encouraged.</p> <p>Regular reconciliation, between attendance sheets and vacation leave, is to be performed by the officer in charge of human resources, to ensure that the respective records are being updated accordingly.</p>	✓		<p>Reconciliations between attendance sheets and vacation leave records are being carried out.</p> <p>Records have been updated on the DAKAR system up to end January 2018.</p> <p>Personal records sheets have been created.</p> <p>Sick leave is not paid if not supported by a medical certificate and disciplinary action will be taken as necessary.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Incorrect Budgetary Allocation</p> <p>Funds allocated to DS should be based on proper budget allocations and relating solely to funds required to manage the closed detention centres.</p>	✗	<p>Control Account 5421 is not intended to finance Detention Service expenditure only. With effect from 2016, another line item, third country nationals, was incorporated within Item 5421. Moreover, the budget of line item 5421 was augmented from €3.6m in 2015 to €7.7m in 2016, specifically to finance for expenditure previously financed from the TCN line item (prior to 2016).</p>		

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

Attendance Records

Shortcomings in the Attendance Sheets maintained at Outposts

It is important that attendance sheets maintained are in line with the template laid down in Appendix 2.1 of the PSMC. Furthermore, these are to be supervised on a daily basis to ensure completeness and accuracy of the time recorded therein. Adequate controls are to be put in place in order to identify and duly address the shortcomings in the attendance records.



Attendance sheets at outposts and head office are maintained as per the PSMC format (Appendix 2.1).
 Consistent verification of attendance sheets is being carried out.
 Reconciliation between the guard report and the attendance sheet was carried out for February 2018 and will continue to be carried out on a regular basis.
 The management is to ensure compliance.
 When personnel avail themselves of part of the day as vacation leave, a note of the number of hours availed of as VL is being written on the attendance sheet. This is also the case for TOIL. HR will thus have the guard sheets and the attendance sheet to ensure completeness and accuracy of attendance records.
 Action was taken as from pay period 3 so that hours worked as per attendance sheets are the hours used for the computation of allowances in respect of employees working on Sundays and public holidays.
 Break time is being recorded on the attendance sheets.

Implemented
 Implemented
 Implemented
 Implemented
 Implemented
 Implemented
 Implemented

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

<p>Leave</p> <p>Incorrect Vacation Leave Deductions</p> <p>The entitlement to vacation leave comes at a cost and thus should be adequately controlled. To this effect, Management is to be guided by the related provisions of the PSMC.</p>			<p>From checks carried out on the monthly records of attendance for 2017 (based on the guards' personnel attendance sheets since this is the main source relied upon by the department), there was only one case where a DSO working on a shift basis availed himself of 12 days VL. The 12 days included the rest and the off-period. The correct amount of unpaid leave was deducted as per the PSMC.</p>	<p>Implemented</p>
<p>Lack of Audit Trail</p> <p>It is pertinent that Management invariably maintains proper audit trail of each transaction, from its inception.</p> <p>Personnel willing to donate vacation leave to their colleagues who experience medical emergencies are to fill in a form, whereby they are to disclose their personal details together with the number of donated hours. Yet no reference is made to the officer benefitting from such donation for reconciliation purposes.</p>	<p>✓</p>		<p>Overtime hours worked are recorded on an 'Attendance Sheet Overtime' and are being certified.</p> <p>The management is checking TOIL records in a correct manner and evidence such checks.</p> <p>TOIL deducted upon of exhaustion of VL entitlement is updated on the DAKAR.</p> <p>Records of donated leave have been updated and reconciled. The procedure of donated vacation leave at the DS is now being implemented as per the relative PSMC provisions.</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>Allowances Payment of Night Shift Allowance when not entitled No allowances are to be paid to individuals over and above those spelled out in pertinent regulations.</p>	<p>✓</p>		<p>The issue has been resolved as of August 2016, and officers are being remunerated appropriately. A night shift allowance is being paid to DSOs who work night shifts only.</p>	<p>Implemented</p>
<p>Overtime Permanent Secretary's Approval for the working of Overtime not traced In order to control the respective expenditure, disbursements for the payment of overtime are not to be effected unless the necessary approvals from the right level of authority are obtained prior to the commencement of the respective work.</p>	<p>✓</p>		<p>Prior approval is being obtained for all overtime requests.</p>	<p>Implemented</p>
<p>Meals Bypassing Procurement Regulations by extending Contract Agreement repeatedly Management is expected to issue a new call for tenders without undue delay, based upon the current needs, to regulate its position in line with the Public Procurement Regulations. A contingent clause can be included to cover situations of potential future influx of third country nationals.</p>	<p>✗</p>	<p>Contract agreement was not back-dated. It was issued upon award. Addenda were all approved by DoC and in line with the original tender document. The ministry confirms that a new tender will be issued in time for it to be awarded before the current extension expires.</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Meals ordered in excess of the Number of Residents</p> <p>Food provision is to be based on realistic figures reflecting, as far as possible, the actual number of residents during the respective period. The administration of the system is to be adequately monitored in order to avoid unnecessary costs being incurred on extra meals from public funds.</p>	✓		<p>Monthly reconciliation between the ordered quantity, the delivery notes, the suppliers' sales orders, and the invoices is being carried out. No discrepancies were noted in the latest reconciliation of the Marsa Open Centre and the Detention Service.</p>	Implemented
<p>Medical Services</p> <p>Expired Bank Guarantee</p> <p>A bank guarantee mitigates the risks associated with the award of tenders in cases where the selected bidder does not deliver to the expected standards. Thus, Management is to ensure that such guarantees are renewed in time.</p>	✓		<p>Valid bank guarantees are available at the ministry for all contracts.</p>	Implemented
<p>Funds from the European Union not availed of</p> <p>Financial resources are to be managed in the most efficient manner. To this effect, Management is to do its utmost not to miss the opportunity of financing from other sources, such as EU funding. Thus, without prolonging further, the necessary procedures to benefit from such possibility are to be initiated.</p>			<p>The management confirmed that the last claim related to the food cost was made in November 2017.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Marsa Open Centre</p> <p>Monthly Tranches covering Operational Costs not substantiated</p> <p>Transparency in the management of public funds is an integral part of good governance and accountability. Thus, payments are to be invariably substantiated by adequate documentation, enabling full audit trail and independent verifications by third parties.</p>	<p>✓</p>		<p>While acknowledging that transparency in the management of public funds is an integral part of good governance and accountability, the last payment to AWAS in respect of expenses incurred was for the month of November 2016. In 2017, no other transfers were effected except for the submission of the tranches due to AWAS as a government entity. AWAS was required to cover all the expenses through this subvention.</p>	<p>Not Applicable</p>
<p>Payments for Services on behalf of Third Parties</p> <p>Expenditure is to be duly allocated and recorded by the entity incurring such costs, since the related amounts may distort the nature of reported expenditure.</p>	<p>✗</p>	<p>Control Account 5421 is not intended to finance Detention Service expenditure only. With effect from 2016, another line item, third country nationals, was incorporated within Item 5421. The budget of line item 5421 was augmented from €3.6m in 2015 to €7.7m in 2016, specifically to cater for expenditure previously financed from the TCN line item prior to 2016.</p>		

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Inventory</p> <p>Lack of Control on Inventory</p> <p>Proper control on Government-owned assets can only be exercised through a complete inventory database. All assets are to be identified and a fixed asset register compiled in line with MF Circular No. 14/1999. This is also required in preparation for the eventual introduction of the accrual accounting. The responsibility of ascertaining that Heads of Departments create, maintain and control an accurate and up-to-date fixed asset register rests with DCS.</p> <p>Thus, DS is to compile detailed records of its inventory items and affixes an identification code to its fixed assets without further delay. Moreover, spot checks are to be carried out in order to ensure sound inventory management.</p> <p>In addition, statutory information is to be forwarded (electronically) to NAO, in line with the established provisions.</p>	✓		<p>DS inventory records are being updated in line with MF Circular No. 14/1999. Room sheets and labelling will follow this update. Submission to the Treasury, once fully compiled will be made through the consolidated return by the MHAS.</p>	October 2018
<p>Other Matters</p> <p>Anomalies in the Employment of Two Officers</p> <p>Senior officers are to instruct employees falling under their responsibility to duly register their presence in the attendance records.</p>	✓		<p>The list of employees provided by the ministry as at 31st December 2017 was reconciled with the list of employees as per pay period 13 – the documents tallied.</p>	Implemented

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

<p>Furthermore, with the aim of enhancing internal controls, it is to be ensured that transfers to voluntary organisations are supported by an agreement clearly indicating the extent of each party's rights, duties and obligations. MHAS is also to ascertain that it is provided with the related documentation as outlined in the agreement for public officers released to work with voluntary organisations.</p>	<p>✓</p>		<p>No employees are currently working with voluntary organisations. The ministry is to ensure adherence with standing policy in the event of any employees being seconded to NGOs.</p>	<p>Implemented</p>
---	----------	--	--	--------------------

COMPLIANCE ISSUE

<p>Overtime Payments not supported by Attendance Sheets</p> <p>Overtime pay is to be accompanied by a certified extract of the attendance book. Moreover, overtime returns are to be thoroughly checked against the supporting attendance sheets, by the officer in charge of salaries, before payments are processed.</p>	<p>✓</p>		<p>Overtime attendance sheets have been introduced. Employees are now signing the overtime attendance sheet. Requests for overtime payments are being accompanied by the overtime attendance sheet.</p>	<p>Implemented Implemented Implemented</p>
---	----------	--	---	--

MHAS
CIVIL PROTECTION DEPARTMENT -
EXPENDITURE

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

KEY ISSUE

Over One Million Euro paid for Fire Engines with Technical Faults

Good governance implies that payments are not to be authorised prior to verification that delivered items are in full compliance with the agreed terms and function properly.

It is also imperative that the contractor submits the required bank guarantees, if so required in tender document, covering the entire period of the contract.



The CPD are looking at options/ processes to ensure that they remain fully functional while at the same time ensuring that good governance prevails and public funds are safeguarded.

The CPD operates in a highly specific sector. In the case of the tender for the procurement of fire engines referred to by the NAO, good governance prevailed because all the provisions to safeguard public funds were included in the tender. These were all called-in and fully implemented, including the performance guarantee.

June 2018

Implemented

CONTROL ISSUE

Procurement

Procurement of Foam

CPD is to acquire its goods and services in line with the applicable procurement regulations, thus ascertaining transparency and fairness, as well as ensuring that the most competitive prices are obtained.

Management is also to ensure that all conditions included in the tender document are abided with. Unless a valid bid bond is provided, Government will not be protected if the contractor fails to deliver as agreed.



A procurement policy in line with current regulations is to be implemented.

June 2018

The management is to ensure that staff assigned procurement responsibilities are aware of the processes they need to follow.

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Thus, failure to provide such guarantee by supplier should nullify the respective agreement.</p> <p>Procurement of a Maritime Night Vision Camera</p> <p>Unless valid justification exists, in order to enhance transparency and avoid unfair competition, Management is encouraged to follow pertinent procurement regulations. CPD is expected to include the camera system in its inventory as this falls within the category of fixed assets.</p>			<p>The night vision camera has been installed and is fully operational.</p> <p>Training has been provided.</p> <p>The night vision camera has been included in the inventory database.</p> <p>The contract was signed by contractor and by the Deputy Director obo Director on 28th November 2016.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Data fragmentation</p> <p>For the sake of transparency and efficiency, documentation relating to procurement is to be maintained in an organised and systematic manner so as to ensure adequate audit trail.</p>	✓		<p>A filing system is being put in place so that documents will be available for future reference. A back-up procedure will also be put into place so that no data is lost.</p>	<p>December 2018</p>
<p>Approvals from the Right Level of Authority not traced</p> <p>Controls are expected to be in place to ensure that the necessary approvals are obtained beforehand. Payments are not to be effected unless such evidence is provided.</p>	✓		<p>Approvals are being obtained from the correct authority prior to the issue of direct orders.</p> <p>The permanent secretary's approval is being sought prior to payment for third-party vehicle damages.</p> <p>Applications for part-time work will be reviewed and subsequently authorised by the CPD Director and permanent secretary.</p>	<p>Implemented</p> <p>Implemented</p> <p>June 2018</p>

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Payment in excess of the Quoted Amount</p> <p>When CPD encounters any abnormal VAT related concerns, it is recommended that guidance is sought from the VAT Department prior to the settling of any payments. In this case, since the service provider is not VAT registered in Malta, the related tax was to be paid directly by CPD to the VAT Department.</p>	✓		<p>CPD and VAT have discussed the pertinent issues and agreed on a way forward.</p>	Implemented
<p>Transport</p> <p>Insufficient Control over Fleet and Fuel Consumption</p> <p>The Manual on Transport and Travel Policies and Procedures regulates the use of such vehicles to ascertain accountability of the expenditure incurred out of public funds. CPD is thus encouraged to use the specimen logbook for all vehicles, as found in the aforementioned manual.</p>	✓		<p>Internal Circular No. 08/2017 has been issued. The management is to ensure compliance.</p> <p>The portable fuel tanks are to have log books signed by respective officers.</p>	Implemented
<p>Lack of Adequate Internal Controls to safeguard Stock of Fuel at the Marine Section</p> <p>Strengthening the security around the fuel storage facilities by implementing measures that restrict physical access by unauthorised persons is of utmost importance. Stores are also to be locked at all times and access to such keys is to be entrusted to an accountable officer, such as the shift leader.</p>	✓		<p>CCTV camera to be installed to strengthen the security around the fuel storage facilities.</p> <p>A log-book will be used to maintain records of responsible officers in charge of the keys.</p>	<p>June 2018</p> <p>June 2018</p>

RECOMMENDATIONS ACCEPTED OR OTHERWISE JUSTIFICATION ACTION IMPLEMENTED OR DATE BY WHEN

<p>who will be the person to be held responsible to open the stores when required. Keys are also expected to be locked up in a secured place when not in use.</p>				
<p>Repairs on Vehicles not recorded in the Fleet Management System</p> <p>Management is to ensure that FMS is updated with expenditure incurred on the fleet falling under its responsibility. Controls can be strengthened through the performing of regular reconciliations between payments for repairs and maintenance as recorded in the Departmental Accounting System and those disclosed in the FMS.</p>	<p>Reconciliations between payments for repairs and maintenance as recorded in the Departmental Accounting System and those disclosed in the FMS are to be carried out.</p> <p>Internal Circular No. 08/2017 has been issued.</p>		<p>✓</p>	<p>October 2018</p>
<p>Procurement of Spare Parts</p> <p>Director's clearance is to be sought prior to the placing of such orders. For the sake of transparency and accountability, full audit trail of a transaction, from its inception up to completion, is imperative.</p>	<p>A procedure is in place to ensure that no spare parts are procured without the prior written approval of the CPD Director.</p> <p>A system will be introduced enabling a full audit trail of the whole system of events, from the need identification stage to the actual delivery of items, and in certain instances even to their actual usage especially in the case of spare parts.</p>		<p>✓</p>	<p>Implemented</p> <p>October 2018</p>

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Capital Expenditure</p> <p>Proposals for Capital Projects</p> <p>Transparency in the management of public funds is an integral part of good governance and accountability. Thus, provisions laid down in pertinent circulars are to be complied with.</p>	<p>✓</p>		<p>Good governance entails the development of a robust business case to support capital projects proposals. In this regard, the audit team commends the work carried out by the Director in the compilation of the document entitled '<i>Rapport il-Business Plan tad-Dipartiment tal-Protezzjoni Civili li jikkoncerna r-rizorsi umani u l-infrastruttura matul is-snin li gejjin</i>'. MFIN Circular No. 06/2007 '<i>Capital Projects and Proposals</i>' could not be complied with, since as confirmed by the MFIN DG Budget Affairs, this circular was superseded by the annual Business and Financial Planning Circular.</p>	<p>Implemented</p>
<p>Recurrent Expenditure financed out of the Capital Vote</p> <p>Public funds are to be utilised for their intended purpose; otherwise set goals and objectives cannot be attained. Furthermore, besides distorting management information, the financing of recurrent expenditure out of capital accounts might also have a negative effect on future budgets and thus is not recommended.</p>	<p>✓</p>		<p>Adequate financial planning is being carried out by senior management to ensure that sufficient funds are available in the respective line items.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Inventory</p> <p>The officer responsible for inventory is to ensure that records are thoroughly checked to identify any entries that are inconsistent with standing regulations. Moreover, the circular regulating inventory management is to be adhered to so as to ensure that more effective control is maintained. A complete database is also required in view of the eventual transition to accrual accounting.</p>			<p>An inventory officer has been recruited and assigned to update and maintain the inventory as required.</p>	<p>September 2018</p>

MHAS
MALTA POLICE GENERAL FUND -
INCOME AND EXPENDITURE

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

LIMITATION ON SCOPE OF AUDIT

<p>Outstanding contribution collections showed only arrears pertaining to 2015 and 2016. Since no proper records were kept prior to the year under review, no reliable information was available for preceding periods. As a result, completeness of outstanding amounts could not be ascertained.</p> <p>A spreadsheet is now being kept to record contributions received from pensioners; however, this was only prepared late 2016, with the first entry dated 23 November 2016. A cashbook or other similar records were not kept prior to this date; thus, there were no feasible means to confirm completeness of the income received during the year under review.</p> <p>Starting from the collection pertaining to September 2016 contributions, serving members of the Force were given a sequentially numbered receipt upon payment of the respective amounts. However, once the monies are remitted to Head Office, only an unnumbered receipt was given to the officer handling the money. Moreover, a copy of such receipt was not retained at Head Office. Following National Audit Office's (NAO) visit on 31 July 2017, a sequentially numbered receipt started being issued by Head Office, with a copy retained in the receipt book kept by the latter.</p>	<p style="text-align: center;">✓</p>	<p>List of outstanding contributions is available. Records are kept manually.</p> <p>A list of pensioners who have not yet paid their 2017 subscription is also compiled.</p> <p>Head office is issuing sequentially numbered receipts and copies thereof are retained in the receipt book.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
--	--------------------------------------	---	--

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>While the contribution due to the Malta Police Association (MPA) is stipulated in Internal Circular No. 91 of 1998, no other documentation was available with respect to the relationship between the two entities. As a result, completeness of entries could not be ascertained.</p>			<p>There is an understanding between MPA and MPF that since 2015, when MPA transformed itself into a trade union, no further contributions are due to MPA. In fact, contributions are now being retained in full by MPF.</p>	Implemented
KEY ISSUES				
<p>Financial Sustainability of the Malta Police General Fund</p> <p>A thorough exercise, to establish the contribution to be paid so that sustainability is ascertained, as well as to rationalise expenditure, is recommended.</p>	✓		<p>In contributing towards the sustainability of the MPGF, the Malta Police Mutual Help Association whose members include union representatives (MPA, POU-GWU and MARPO), communicated to its members that the Mutual Help Fund was going to be dissolved. No more contributions are going to be collected from retired members. As per letter dated 1st January 2018, sent to retired members of the Malta Police Mutual Help Association, those who have over the years contributed to the fund will receive an amount equivalent to the contributions paid.</p>	Implemented
<p>Lack of Internal Controls</p> <p>Management is urgently expected to review and strengthen the internal control systems in order to ensure sound financial management.</p>	✓		<p>Pre-printed serialised receipts are being given by the officer in charge of contribution collection both for monies received from serving members and from non-serving members.</p> <p>A GHQ Circular No. 51/2017 was issued on 21st November 2017, with the effect that the quarterly contribution, starting from 25th March 2018, will now be deducted directly from the salary.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

				<p>Only 34 officers opted to continue paying their contribution manually.</p> <p>Monitoring and reconciliations of contributions received with the total amount of contributions that were actually due is to be conducted every quarter. Reconciliations will now be much facilitated in view of GHQ Circular No. 51/2017.</p>	
--	--	--	--	---	--

CONTROL ISSUES

<p>Unclear Purpose of the Fund</p> <p>MPF is expected to prioritise expenditure, particularly within the limits of available resources, leaving aside sufficient funds to cover past commitments.</p>			<p>The expenses that can be covered by the fund are being determined.</p> <p>The committee is still to discuss and decide on expenditure for each hospitality event.</p> <p>The pending payments due to the heirs of one serving and fifteen non-serving members deceased during 2017, as well as three outstanding payments from 2016, cannot be effected until the heirs submit the required documentation. The officer in charge of contributions is to start the payment process once he is in possession of all these documents.</p>	<p>June 2018</p> <p>June 2018</p> <p>Implemented</p>
<p>Lack of or Inadequate Substantiating Documentation</p> <p>All transactions are to be backed up by adequate documentation enabling independent verification. Moreover, such records are to be clear, leaving no room for ambiguity or misinterpretation.</p>	✓		<p>Heirs of serving and non-serving members are being paid €3,000 and €1,250 respectively. Besides the mentioned circular, the date that these revised amounts would be in effect, that is 1st January 2016, was communicated to police officers in the March 2016 issue of <i>Il-Pulizija</i> magazine.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Revenue Collection Process</p> <p>Lack of Segregation of Duties</p> <p>It is recommended that key tasks, particularly those relating to the receipt, custody, record keeping and reconciliations, are assigned to different individuals. Moreover, as far as possible, more staff is to be involved in the revenue collection process. Key tasks are to be covered by Standard Operating Procedures, clearly highlighting the established course of action and roles of the respective officers.</p>	✓		<p>The Children Christmas Party 2016 (File HR/17/2010) was funded by the Commissioner and financed by the MPGF.</p>	Implemented
<p>Lack of Adequate Records</p> <p>NAO reiterates the importance of keeping proper books of accounts at each point where money is received, thus providing sufficient audit trail and enabling independent verifications.</p>	✓		<p>In view of GHQ Circular No. 51/2017, the cash-handling process will be extremely limited since most payments will be primarily deducted from salaries. Only 34 officers opted to pay their contribution manually.</p> <p>There will be one officer assigned to collect the contribution, whilst another officer will perform the reconciliation of the accounts.</p> <p>There will also be monitoring and supervision of the reconciliation process through the CEO's office.</p>	Implemented
			<p>The officer in charge of contributions will still maintain manual records of both paid and outstanding contributions by the 34 serving members who opted to pay contributions manually.</p>	Implemented

IMPLEMENTED OR DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR OTHERWISE

RECOMMENDATIONS

<p>Moreover, electronic records are to be cross referenced and have embedded controls to ensure that entries cannot be deleted without any trace.</p>			<p>Sequential receipts are being issued to serving members when the respective cash is handed in, with a copy being maintained at the head office.</p> <p>Sequential receipts are also being issued to pensioners. A copy is also being kept.</p> <p>Reconciliations on bank accounts are being carried out by the accounting officers.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>Contributions paid in Cash</p> <p>Management is encouraged to consider collecting the contribution by deducting the necessary amounts from the respective salaries. This would ensure that all the monies are collected as they fall due and reduces the workload of the Officer in charge of contributions. The risk of errors and abuse, that very often is associated with cash, would also be mitigated.</p>	<p>✗</p>	<p>In view of the system overhaul the monitoring and reconciliation that will need to be carried out on manual payments has been significantly reduced.</p>	<p>The first deduction from salary took place in March 2018.</p>	<p>Implemented</p>

RECOMMENDATIONS	ACCEPTED OR OTHERWISE	JUSTIFICATION	ACTION	IMPLEMENTED OR DATE BY WHEN
<p>Divergences between Different Records</p> <p>In order to have accurate and reliable information, enabling efficient and effective decision-making, information is to be double-checked and regular reconciliations carried out between different records.</p>	✓		<p>According to the records held by the Officer in charge of Contributions, it results that 24 payments were effected to heirs of non-serving members. This was corroborated by the payments recorded in the cashbook held by the accounting officer. It also matches the amount reported in the final accounts. As stated in the notes to the accounts, €18,750 went for the outstanding balance from 2016, while €11,250 went for the 2017 balance.</p>	Implemented
<p>Christmas and Police Day Social Activities</p> <p>MPGF is to ascertain that all expenses are contained within the constraints imposed by available funds. Moreover, invoices raised by the ORC are to be thoroughly checked to ensure their correctness prior to the respective payment and endorsed to evidence such verifications.</p>	✓		<p>VAT is being charged correctly.</p> <p>Invoices are being checked by the accounting officer prior to the ORC.</p>	Implemented Implemented

OTHER REPORTS/NGO
CO-OPERATIVES BOARD -
AUDIT FOR FINANCIAL YEAR 2016

IMPLEMENTED OR
DATE BY WHEN

ACTION

JUSTIFICATION

ACCEPTED OR
OTHERWISE

RECOMMENDATIONS

CONTROL ISSUES

<p>Shortcomings related to Honoraria Payments</p> <p>The Co-operatives Board is to ascertain that it is in possession of official documentation confirming the honorarium payable to each Board Member, including the Secretary to the Board. Moreover, it is to ensure that the threshold established the maximum annual honoraria payable is not exceeded.</p>	<p>✓</p>		<p>The management adjusted board members' remuneration in accordance with the Framework for the Categorisation of Government Appointed Boards. Direction was also received from the Cabinet Office as to the remuneration structure to be adopted in the case of the Secretary to the Board. The Co-operatives Board is to ensure adherence.</p>	<p>Implemented</p>
<p>Inadequate Authorisation of Petrol Allowance</p> <p>Appropriate Ministerial approval is to be sought for the payment of any allowances to Board Members, additional to their honoraria. Such authorisation is to be clearly documented and filed for ease of reference.</p>	<p>✓</p>		<p>On the Chairman's own request, the board decided to stop paying the monthly fuel allowance with effect from 1st October 2017.</p>	<p>Implemented</p>
<p>Inventory Items purchased due to Unutilised Funds</p> <p>Procurement of inventory items is to be resorted to only when necessary and not merely to use up any excess funds, in particular approaching year end.</p>	<p>✓</p>		<p>Controls are in place ensuring that only needed items are procured.</p>	<p>Implemented</p>
<p>Untimely Endorsement of Financial Consultancy Services Agreement</p> <p>The Board is to ensure that any contracts with service providers are endorsed before the engagement actually commences. This ensures that all the applicable terms and conditions have been mutually agreed beforehand.</p>	<p>✓</p>		<p>Recommendation has been noted. Any future agreements will be signed as close to the board decision as possible and prior to its effective date.</p>	

