

# Performance Audit: Agreements between Government and Conservatorio Vincenzo Bugeja on Jeanne Antide and Fejda Homes

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## Agreements between Government and Conservatorio Vincenzo Bugeja on Jeanne Antide and Fejda Homes

'This report has been prepared under sub-paragraph 9(a) of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives in accordance with sub-paragraph 9(b) of the First Schedule of the said Act'



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## List of Abbreviations

BoM	Board of Management
BoT	Board of Trustees
CVB	Conservatorio Vincenzo Bugeja
DSWS	Department for Social Welfare Standards
FT	Full Time
HSS	High Support Services
IRD	Inland Revenue Department
KPI	Key Performance Indicator
MFSS	Ministry for Family and Social Solidarity
MJDF	Ministry for Justice, Dialogue and the Family
MSDC	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties
NAO	National Audit Office
NGOs	Non-Governmental Organisations
PPPN	Per person per night
PT	Part Time
VB	Voluntary Basis
VfM	Value for Money



# Executive Summary

## Executive Summary

1. An audit in terms of Article 9 of the Auditor General and National Audit Office Act 1997, was undertaken at Jeanne Antide and Fejda Homes. Due to the significant amount of shared resources as well as responsibilities, for the purpose of this review the National Audit Office (NAO) extended the scope of this review to encompass also Fejda Home since the original request in terms of the aforementioned provisions related solely to Jeanne Antide Home.
2. These Homes are established within the same premises at Conservatorio Vincenzo Bugeja (CVB), and are primarily administered through the same Deed, which was signed in 2001 with the former Ministry for Social Policy and is currently being administered by the Ministry for Family and Social Solidarity (MFSS). As at end 2014, these Homes accommodated and fostered 20 girls. These service-users generally hailed from problematic social situations and may reside at these Homes up to the age of 18 years. Aġenzija Appoġġ refers the majority of these cases to the Homes and some of the service-users are under a Care or Court Order. These Homes provide residents with their daily requirements as well as a special development care plan to cater for the individual psychosocial needs.
3. Within this context, and following consultations between the NAO and the MFSS - the Governmental entity which instigated this review on the basis of various operational concerns, the audit's terms of reference are as follows:
  - i. Review the Agreements entered into between Government and the Trustees of CVB, entitling the latter to public funding and establishing the services that the Non-Governmental Organisation (NGO) is to deliver.
  - ii. Establish the allocation of public funds assigned to Jeanne Antide and Fejda Homes for 2014 (including contributions in kind or indirect funding) and other sources of income.
  - iii. Review the audited financial statements of Jeanne Antide and Fejda Homes for 2014.
  - iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such deliverables.
  - v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.

4. Unless otherwise indicated, findings and conclusions reflect the situation up to end 2014 based on information available as at end 2015.

### Review of Agreements between Governmental entities and CVB

5. The services provided by the Homes are primarily regulated through the Agreement between MFSS and CVB. This Deed came into effect in 2001 and, was due for renewal as at the end of 2015. This Agreement stipulates that the Governmental entity party to this Deed will incur all the operational expenses, including maintenance and upkeep costs associated with the running of the Homes. The Contract assigns management responsibility for these Homes to a seven member Board of Management (BoM), three of whom are appointed by MFSS. The BoM's Chair, who is also a voting member, is nominated by the CVB Trustees.
6. The running of the Homes is also subjected to the Service Agreement with the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC). Through this Agreement, since 2010, Jeanne Antide Home was allocated a further €90,000 annually as a financial supplement from the NGOs Fund, towards the operations of the Home in terms of the 2001 Deed. In practice, these funds were utilised for both Homes due to their similar resident case mix and the services provided, and for the purpose of this review were treated as such.
7. The review of these contracts raised the following key issues:
  - i. Neither the Deed currently administered by MFSS nor the MSDC Agreement defines in appropriate detail the services to be provided or directly link such services to the financial aspects of the contracts. Both Agreements define the services in generic terms, which make them conducive to subjective interpretations. At best, these circumstances, coupled with the lack of human resources, render the monitoring and enforcement of service delivery problematic and at worst ineffective. This situation becomes further highlighted in view of the limited communication between the Government entities being party to the respective Agreement - a situation which is currently being dealt with by the Governmental Ministries involved through an Inter-Ministerial Committee and reforms of the NGOs Fund.
  - ii. The 2001 Deed is the primary Agreement regulating the provision of services at these Homes. This Deed implies a partnership between CVB and Government through MFSS as the current administrator – as indicated by the composition of the BoM. However, this Deed does not fully embrace private public partnership concepts since it omits various clauses, which allocate operational responsibilities and ensuing business risks to the signatories, such as access and disclosure to the premises and/or records, liability and insurance as well as penalties and incentives.
  - iii. The 2001 Deed stipulates that CVB premises are to be utilised for the provision of service at the Homes at an annual grant of three thousand Malta Liri (LM3,000) which is subject to an increase of 10 per cent every three years. However, the Deed is considered *sui generis* and reflects a *commodatum* rather than a standard lease agreement. This state of affairs gives rise to subjectivity of interpretation, particularly in cases related to the maintenance and refurbishment of these Homes. For instance, the Homes' eligibility to charge structural refurbishment costs to the Governmental entity administering this Deed remains a contentious issue.

## The Homes' sources of income and financial statements

8. During 2014, through these Agreements, the Homes received €575,000 from MFSS as the current administrator of this Deed and €90,000 from MSDC. At €665,000 from these Governmental entities, this level of funding is tantamount to a situation whereby the Homes are 98 per cent dependent on public funds.
9. Between 2011 and 2014, the Homes accumulated €203,148 of surplus funds, where in 2014, the Homes registered an operational surplus of €15,270. The latter amount is significantly less than in previous years where, for instance, the surplus in 2012 peaked at €112,752. The decline in surplus funds is primarily attributable to two major issues. Firstly, efforts by MFSS were stepped up to adjust financial tranches to reflect operational expenses incurred by the Homes. This circumstance was also evident when operational expenses increased due to the Homes accommodating more service-users. Secondly, the members present within the Board of Management unilaterally agreed to utilise surplus funds to finance a refurbishment project as indicated in the next paragraph.
10. Eventually, the surplus funds were used to fund refurbishment works at Jeanne Antide Home. As noted earlier in this Summary, this refurbishment does not constitute regular maintenance works as envisaged by the 2001 Deed. Consequently, on these grounds and in the absence of a clear contractual provision defining what constitutes maintenance works, it remains contentious whether these surplus funds could have been utilised for such a purpose.
11. On the other hand, it was the Homes' BoM that decided to use the surplus funds to this end. However, at the time and throughout the implementation of the refurbishment works, MFSS as the newly responsible Governmental entity to administer this Deed, had not appointed any of its three Board Members.
12. A review of the audited financial statements revealed corporate governance concerns relating to the Homes' financial management. These issues range from considerable amounts maintained in the petty cash account, the accounting of donations received by the Homes to potential conflict of interests relating to the award of service contracts in connection with the above-mentioned refurbishment works. The latter relates to a consultancy related Agreement, involving costs of around €34,000, which was awarded through a direct order to a member of the Board of Trustees.

## Service delivery by the Homes

13. Evaluating the extent and value for money of service delivery at the Homes under review was rendered a more complex and problematic endeavour since contractual clauses relating to the provision of services are too generic. Moreover, the absence of key performance indicators limits service delivery benchmarking, and consequently comprehensive and conclusive value for money assessments. Nevertheless, this review raised the following issues:
  - i. Agenzija Appoġġ is supplementing, and in a particular instance, subsidising various care services at the Homes, which in part, contributed to savings leading to an operational surplus at the Homes under review as discussed in paragraph nine of this Executive Summary. Such contribution by Agenzija Appoġġ namely relates to the following:
    - a. In August 2014, Agenzija Appoġġ established the Santa Venera Residence to increase the supply of out-of-home residential care and to steer towards a

more community based treatment approach. Costs incurred in this respect during the first year of operation amounted to around €370,000. The Santa Venera Residence is currently accommodating the more complex cases. A case in point relates to two service-users who were transferred from the Homes to the Santa Venera Residence.

- b. Additionally, during 2014, Aġenzija Appoġġ incurred an expenditure of €14,937 for High Support Services and €19,362 for social work offered at Jeanne Antide and Fejda Homes. While acknowledging this contribution, the engagement of professionals from Aġenzija Appoġġ rather than the private sector can be viewed as decreasing the Homes' operational costs while further stretching the resources of a governmental agency.
- ii. Around 81 per cent of the resources available to the Homes were directed towards the provision of residential care, namely hotel services as well as therapeutic and informal care. Administration and other overheads absorbed the remaining resources available to the Homes.
- iii. Only nine out of the eligible 28 employees have attended one-to-one supervision sessions with psychologists. These sessions are intended to guide staff in preventing burnout and to better deal with work related difficulties. Apart from a deviation from the Homes' policy as expressed in the employees' job description, this state of affairs may indirectly diminish the quality of service provided by care workers.
- iv. On average, expenses incurred to operate Jeanne Antide and Fejda Homes in 2014 amounted to €94 per person per night (ppn). This rate reflects a situation whereby the care worker to service-users ratio is one to five at any one time, with the Homes operating at the joint capacity level of an average of 19 residents. This situation raises the issue as to the extent to which the Homes can exploit economies of scale through, if technically feasible, adopting a care worker to service-users ratio of one to eight. This review, referred to literature about the potential feasibility of such a ratio but this would need to be subjected to further studies by the parties involved in this Deed, and applied to the specific scenarios at the Homes under review.
- v. Management Letters drawn up by the Homes' external auditor point out issues, which might further improve the value for money of services provided by the Homes. The majority of these issues relate to corporate governance weaknesses.

## Overall Conclusions

- 14. In general, the services provided by these two Homes during 2014 were of sufficient quality to the service-users in case. Nonetheless, this review has noted a number of weaknesses related to the 2001 Deed. Contractual lacunae, particularly with respect to the terms and conditions associated with the services to be delivered by Jeanne Antide and Fejda Homes, limit the degree to which Governmental entities are able to monitor and assess service delivery. Moreover, details related to the payments due by Government for the running and upkeep of these two Homes, were not established or even capped to a maximum limit through the 2001 Deed, to the detriment of transparency and accountability. Such situation does not appropriately safeguard the interests of signatories to this Deed, as well as the wellbeing of the service-users themselves.

15. This state of affairs resulted in litigation between parties, particularly with respect to maintenance related issues. To this end, the BoM utilised surplus funds derived through the Governmental grants received by the Homes between 2011 and 2014, to refurbish Jeanne Antide Home. Although Government is responsible for the maintenance and upkeep of the premises in use by the Homes, it remains highly contentious whether these refurbishment works were to be classified as ordinary or even extraordinary maintenance.
16. During the course of this audit, corporate governance issues were evident both at Jeanne Antide and Fejda Homes, as well as at the Government Ministries that contributed to the services provision by these Homes. During recent years, the external auditor noted a number of weaknesses in relation to the financial procedures and controls over expenditure at the Homes. Similarly, the organisational structures within the various Governmental Ministries involved in the administrations of these Agreements were not always conducive to adequate monitoring and communication between the Ministries involved. This resulted in two Agreements targeting the same services delivered by these two Homes. The aforementioned is a situation which the present Governmental entities party to these Agreements acknowledge and currently are in the process of addressing through the Inter-Ministerial Committee.
17. To varying degrees, the Homes' Management has not yet fully exploited economy of scale benefits attainable through a prospective higher ratio of care worker to service-users. Furthermore, the opportunity exists to better deploy the staff available at the Homes to improve cost-efficiencies, while still addressing for the varying needs of the service-users.
18. In conclusion, the NAO is aware of the ongoing efforts from the Governmental Ministries involved as well as by the Homes' Board of Management to rectify the aforementioned situation. To this end, the parties to the 2001 Deed are in discussions to address the aforementioned contractual lacunae and related concerns through the drafting of a new contract for the future operation of this partnership, as the current Agreement expired at the end of 2015.

## **Recommendations**

19. In view of the findings and conclusions emanating from this review, the Report proposes the following recommendations, aimed at strengthening this type of partnership for the provision of out-of-home residential care for children:

### ***Contractual clauses***

- i. Contractual clauses defining the terms and conditions of the services to be delivered by Jeanne Antide and Fejda Homes through subsequent Agreements, are to be comprehensive enough to ensure that the responsibilities of parties signatory to the Agreement are clearly defined. This approach would minimise the likelihood of misinterpretations, thereby avoiding any potential operational risk to either party, as well as ensure the wellbeing of the service-users themselves, whose interests such contracts are ultimately intended to safeguard.
- ii. Furthermore, in subsequent Agreements, payments due to the Homes for services rendered are to be explained in greater detail. Moreover, payments are to be linked with performance through penalties and/or incentives in order to ensure more efficient and effective operations. Should an overpayment result, immediate action for recovery is to be taken by the entities concerned.

## **Governance structures**

- iii. Ideally, one Ministry should administer the same residential care services provided by these Homes, through a single Agreement. This situation will ensure more effective operations and increase transparency as well as accountability. While acknowledging the recent initiatives undertaken by MFSS and MSDC in this regard, these Ministries are encouraged to ensure the full implementation of the recent policy developments. This mainly relates to an arrangement whereby the former will be responsible for long-term social care related Service Agreements delivered by NGOs.
- iv. Ministries involved in administering long-term social care related Service Agreements with NGOs, are further encouraged to ascertain that adequate financial and human resources are allocated for a more effective monitoring structure. This will ensure that the services provided by the Homes are sufficient to meet the specific needs of the residents.
- v. Public governance structures associated with the delivery of services through NGOs are to be further strengthened. This will be attained particularly through the centralisation of available information and resources, for improved cooperation and coordination between the various ministries as well as the respective entities. In this respect, the Inter-Ministerial Committee is encouraged to maintain its efforts to strengthen management control mechanisms associated with the provision of services through NGOs. To this effect, the Governmental entities involved in delivering services through NGOs are encouraged to embrace the Governmental policies outlined in Budget 2016. Such policies mainly relate to the establishment of Public Social Partnerships where administrative and financial processes will be streamlined to enable NGOs working in the field of social welfare for more cost-effective operations.
- vi. The strengthening of corporate governance structures at Jeanne Antide and Fejda Homes will provide further reassurances that the resources procured through public funds are being utilised solely for their intended purpose. Initiatives to this end relate to the drawing up of the relevant financial policies and the maintaining of more comprehensive operational records, including donations. To this effect, Governmental entities involved are to consider imposing such a requirement through contractually binding clauses in subsequent Agreements.

## **Service delivery**

- vii. Jeanne Antide and Fejda Homes are to be contractually obliged to establish and document Key Performance Indicators to facilitate performance monitoring. To this effect, Key Performance Indicators (KPIs) should comprise benchmarks related to the efficient management, cost-effectiveness and quality service of these two Homes. The latter is critical, since ultimately the major scope of these Homes is the well-being and development of the service-users themselves. To this end, potential criteria for evaluating the effectiveness of service delivery may include educational achievements, maintaining employment, as well as any acquired life-skills necessary for future independent living.
- viii. The relevant Authorities are to ascertain that local regulations and standards relating to out-of-home residential care for children are more comprehensive. This particularly relates to the optimal number of care staff required at these residential care institutions, as well as the necessary qualifications and experience of staff to ensure that the specific needs of the children in case are timely met.

- ix. The service delivery monitoring function within the Ministries procuring services from Jeanne Antide and Fejda Homes is to be strengthened. The establishment and implementation of the aforementioned KPIs, as well as the relevant regulations and standards, would surely facilitate such monitoring duties. Furthermore, the monitoring mechanisms in place should also include a higher frequency of on-site visits by the relevant authorities within this sector, namely the Department for Social Welfare Standards and the Office of the Commissioner for Children. This monitoring setup will ensure that the services provided by these two Homes are adequately meeting the expected outputs and outcomes.
- x. Contracted parties are to increase their respective efforts to ensure a higher level of communication and coordination between them. To this end, the Ministry is to ensure that Government representatives on the BoM are more involved in the decision-making process, for a more balanced partnership between the CVB Trustees and the Government.
- xi. The parties involved in this Deed are to consider investment opportunities to increase the Homes' capacity to better exploit economies of scale through a higher service user to care worker ratio. This is to be supported with the appropriate studies to ascertain that service delivery adequately addresses the residents' needs and development.
- xii. Moreover, the BoM is encouraged to seek efficiency related savings primarily achievable through the better utilisation of the staff available at the Homes. The better deployment of staff available at the homes should better reflect the fluctuating needs of service-users throughout the day.
- xiii. In view of the increasing demand for out-of-home residential care services for children, as well as the fact that Jeanne Antide and Fejda Homes have presently reached their maximum capacity, considerations should be given to market testing. At the outset, this would entail considering the issuing of Expression of Interests to identify other potential service providers as well as out-of-home care service approaches within this sector. This approach will be conducive to a competitive market environment, which encourages greater private sector and non-governmental participation. In turn, this would contribute towards increasingly strengthening supply related structures to meet the rising demand for such services.

# Chapter 1

## Terms of Reference

# Chapter 1 – Terms of Reference

## 1.1 Introduction

- 1.1.1 The Ministry for Family and Social Solidarity (MFSS), on the basis of various operational concerns and upon the endorsement by the Minister for Finance dated 5 of March 2015, requested an audit by the National Audit Office (NAO) with respect to four Non-Governmental Organisations (NGOs), including Jeanne Antide Home. These NGOs generate revenue through public funds in connection with a number of Agreements. This review was carried out in terms of Article 9 of the Auditor General and National Audit Office Act, 1997. Unless otherwise indicated, findings and conclusions reflect the situation up to end 2014 based on information available as at end 2015.
- 1.1.2 Due to the significant amount of shared resources as well as responsibilities, for the purpose of this audit the NAO extended the scope of this review to encompass both Jeanne Antide and Fejda Homes. These Homes are established within the same premises at Conservatorio Vincenzo Bugeja (CVB), and are administered through a Deed signed in 2001 with the former Ministry for Social Policy and currently administered by MFSS.
- 1.1.3 MFSS requested this audit following the December 2014 report drawn up by the Inter-Ministerial Committee '*MFSS Soċjeta' Ġusta Sub-Committee on NGOs Funds*' (Support for Voluntary Organisation's Fund). This Inter-Ministerial Committee raised a number of issues relating to the lack of established measureable deliverables in NGOs Fund related Agreements as well as non-harmonised monitoring procedures, which could potentially lead to instances of multiple funding from Governmental entities.
- 1.1.4 In this context, as well as in view that the Agreement in place between the MFSS as the current administrator of this Deed and the Trustees of the CVB was to expire by the end of 2015, the NAO was requested to conduct this audit. During the course of this review, both parties remarked that a new Agreement has been drafted for post-2015 operations, with only official signatures pending.

1.1.5 Additionally, the Ministries involved embarked on initiatives aimed at addressing operational concerns and structures relating to the better management and monitoring of public funds to NGOs. These included:

- i. A new set of guidelines established by MSDC to better administer what used to be the NGOs Fund, now referred to as *Voluntary Organisations Projects Scheme*. The new guidelines include a newly established system of application and adjudication reflecting both the requirements of the Voluntary Organisations Act as well as good practices of transparency.
- ii. Policies outlined in Budget 2016 relating to the establishment of Public Social Partnerships. This framework is intended to streamline administrative and financial processes to enable more cost-effective operations from NGOs working in the field of social welfare. Additionally, Budget 2016 announced measures whereby MFSS, as the Ministry responsible for social policy, assumes responsibility for the relevant service-related provisions funded by the NGOs Fund.

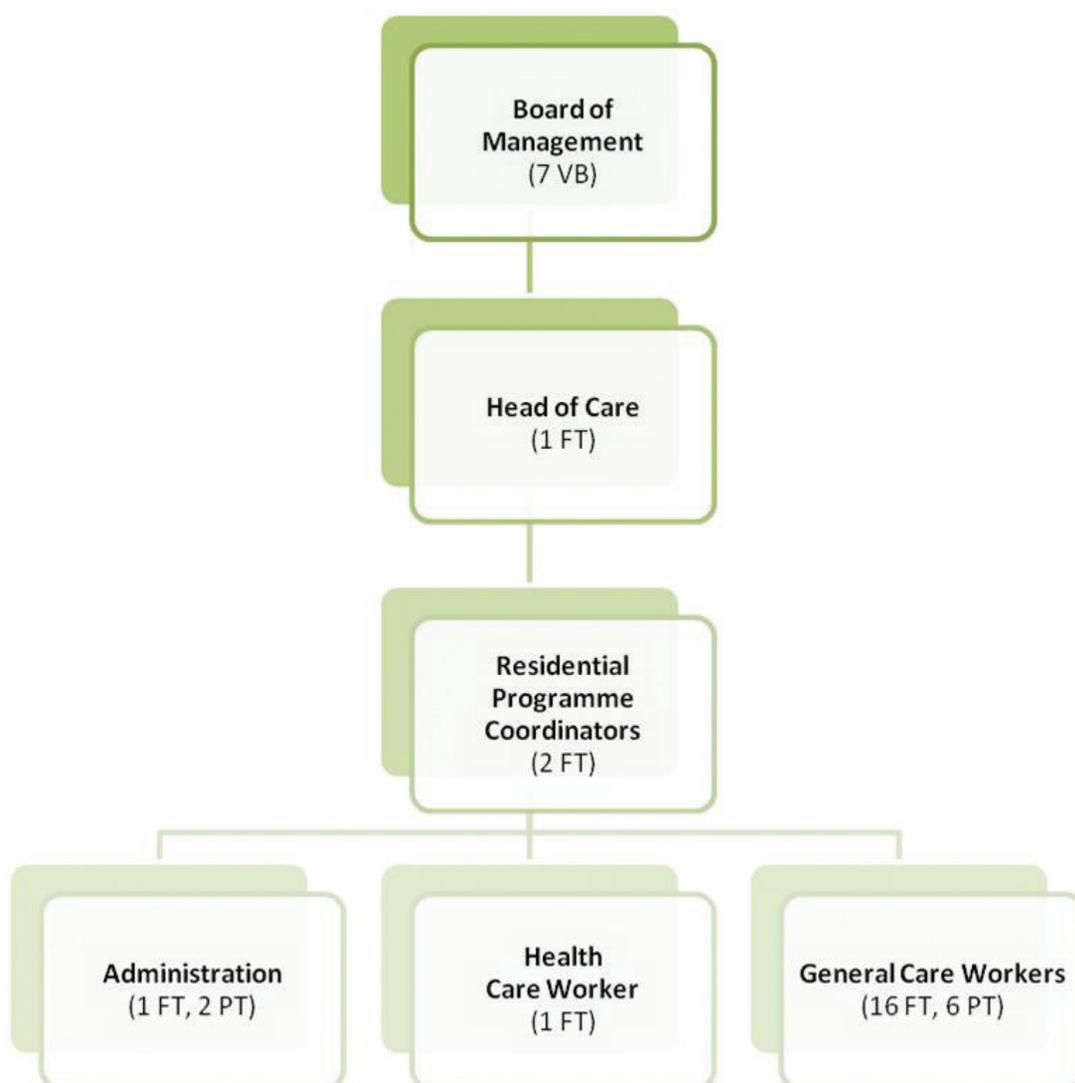
## 1.2 Services provided by the Homes are predominantly human resource intensive

1.2.1 The key objective of Jeanne Antide and Fejda Homes is to accommodate and foster girls hailing from problematic social situations up to the age of 18 years. Agenzija Appoġġ refers the majority of these cases to the Homes and some of the service-users are under a Care or Court Order. These Homes provide service-users with their daily requirements as well as a special development care plan to cater for the individual psychosocial needs.

1.2.2 Through Article 3 of the Agreement *in vigore* between the Trustees of the CVB and the MFSS, the administration of Jeanne Antide and Fejda Homes was assigned to the Board of Management (BoM). The BoM is composed of three members nominated annually by the Minister responsible for Social Policy and four other members, including the Chairman, nominated by the Trustees. The Head of Care reports to the BoM on a monthly basis on the Homes' operations as well as the progress registered by every service-user.

1.2.3 The staff complement at Jeanne Antide and Fejda Homes includes two youth workers nominated as residential programme coordinators, 22 care workers (six of whom are on a part-time basis), another three employees within the administration section (two of whom are on a part-time basis), one health care worker and a part-time handyman. These Homes subcontract psychological services and make use of a number of complementary services offered by Agenzija Appoġġ, namely, High Support Services (HSS) care workers, social workers, psychologists and psychiatrists when required. Figure 1 refers.

Figure 1: Jeanne Antide and Fejda Homes - Organisational Chart



1.2.4 Figure 1 shows that a substantial number of staff is required to cater for the needs of the 20 service-users<sup>1</sup> at Jeanne Antide and Fejda Homes throughout the day and night. The services provided at the Homes adopt an informal educational approach, whereby essential life skills such as decision-making, commitment, budgeting and teamwork are taught through daily activities such as cooking, crafts, dancing lessons and outings. Moreover, residents support groups, fortnightly residents meetings, one-to-one sessions and interventions with families are also important to meet individual needs.

### 1.3 Aims and objectives

1.3.1 Against this backdrop, as well as through consultations between the NAO and the MFSS, the audit's terms of reference were identified as follows:

- i. Review the Agreement entered into between Government and Jeanne Antide as well as Fejda Homes, entitling the latter to public funding and establishing the services that the NGO is to deliver.

<sup>1</sup> As at December 2014.

- ii. Establish the allocation of public funds assigned to Jeanne Antide and Fejda Homes for 2014 (including contributions in kind or indirect funding) as well as other sources of income.
- iii. Analyse the audited financial statements of Jeanne Antide and Fejda Homes for 2014.
- iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such services.
- v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.

## **1.4 Methodology**

- 1.4.1 For the purposes of this study, the NAO reviewed and analysed documentation from various sources. These primarily include MFSS, the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC), Jeanne Antide and Fejda Homes, as well as the BoM responsible for the running of these two Homes. Additional reports related to the services provided by these Homes, mainly findings noted by the Financial and Compliance Audit Section within the NAO itself, were also taken into consideration.
- 1.4.2 Moreover, the NAO performed a number of semi-structured interviews with various representatives from MFSS, MSDC, Aġenzija Appoġġ, Jeanne Antide and Fejda Homes, as well as the BoM responsible for these Homes. The latter includes both Government representatives and delegates from the Trustees of the CVB, as described in paragraph 1.2.2 of this Chapter.
- 1.4.3 Audited financial statements pertaining to recent years, particularly those related to 2014, were also reviewed. Best-practices and other benchmarks were utilised to assess the extent to which deliverables were in accordance with contractual obligations and constituted value for money.

## **1.5 Report structure**

- 1.5.1 Following this introductory Chapter, the Report discusses arising issues and concerns in accordance with the aforementioned objectives established in the terms of reference for this audit as outlined hereunder:
  - i. Chapter 2 evaluates the Deed in place between the Trustees of the CVB and the MFSS, with respect to Jeanne Antide and Fejda Homes. The main thrust of the discussion relates to the extent to which contract parties' interests are appropriately safeguarded through contractual provisions.
  - ii. Chapter 3 highlights the various sources of funds allocated to Jeanne Antide and Fejda Homes during 2014. The discussion therein comprises public funds as well as other sources of income. To this end, a review of the audited financial statements pertaining to recent years was also undertaken.
  - iii. Chapter 4 aimed to assess the services provided by these Homes through the 2001 Deed currently administered by MFSS. The lack of clearly defined deliverables in the Deed has, to varying degrees limited such analysis.
- 1.5.2 The audit's overall conclusions and recommendations are included in the Report's Executive Summary on pages 8 to 14.



Chapter 2  
Review of the Deed with Jeanne  
Antide and Fejda Homes

## Chapter 2 – Review of the Deed with Jeanne Antide and Fejda Homes

### 2.1 Introduction

- 2.1.1 The Deed *in vigore* between the Ministry for Family and Social Solidarity (MFSS) as the current administrator and the Trustees of Conservatorio Vincenzo Bugeja (CVB), for the services provided by Jeanne Antide and Fejda Homes, was drawn up more than 15 years ago. Consequently, such an Agreement may not fully reflect current social care services and practices provided to girls from very challenging social situations, where some of whom are the subject of a Care or Court Order. Such a situation may have materialised since the original terms and conditions of the 2001 Deed have not been updated to reflect developments in this sensitive sector. The running of these Homes was also supported by a yearly financial supplement from the Non-Governmental Organisations (NGOs) Fund, through a Service Agreement with the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC).
- 2.1.2 An analysis of the 2001 Deed revealed that the services to be provided by these Homes, also referred to as deliverables, are not always appropriately defined or capped to a maximum financial threshold. This state of affairs is conducive to a situation whereby MFSS's interests are not appropriately safeguarded and the Ministry's service delivery monitoring capabilities become severely hampered. Such a state of affairs is manifested through the contractual provisions related to the care services, which are to be provided by the Homes as well as in clauses relating to the Homes' maintenance and upkeep. The latter concern is further complicated since the contract does not appropriately distinguish between the Homes' ordinary maintenance and major refurbishment works.
- 2.1.3 In view of the foregoing, this Chapter discusses the following issues:
- i. Relevance or otherwise of the existing Deed to current circumstances.
  - ii. Contractual deficiencies in relation to the provision of residential and care services as well as the Homes' maintenance.
  - iii. The omission of best practice clauses from the Deed, which further define the responsibilities of contracting parties in relation to operational risks.

## **2.2 Existing Deed was signed 15 years ago and may not reflect present circumstances**

- 2.2.1 The Deed in place between the former Ministry for Social Policy and the Trustees of the CVB was signed on 29 March 2001. This Agreement was valid for an initial period of ten years and automatically renewed for further periods of five years. This implies that to date, this Deed has already been renewed once in 2011, without being subjected to any changes in its terms and conditions despite the continuous developments in the provision of these care services.
- 2.2.2 In view of the circumstances discussed in the preceding paragraph, in November 2014, the MFSS officially instructed the Trustees of its intentions to terminate the Agreement by 31 December 2015. The MFSS attributed this situation to the need for “a new agreement to reflect Government's current policies and emerging social needs in line with new terms and conditions as being established under a number of public social partnerships between Government and various Non-Governmental Organisations.”
- 2.2.3 The immediate reaction from the Trustees was an official letter, through their legal representative, to notify MFSS of their intention to terminate not only the services offered by Jeanne Antide and Fejda Homes, but also a number of other services that are presently provided within the CVB premises. These include the Adult Training Centre, Għabex (an emergency shelter for battered families), Dar is-Sliem (a residential facility for unaccompanied asylum seekers) and the Telecare Plus services (health services for the elderly to continue living independently). Despite the exchange of notifications related to contract termination, during the course of this review both parties remarked that a new Agreement has been drafted to enable the running of these Homes post-2015.

## **2.3 Services related contract provisions lack essential details**

- 2.3.1 The 2001 Deed only makes generic references to the terms, conditions and specifications of the services to be provided by the Homes. To this end, the Agreement in place does not specify what constitutes “all the needs of the residents”.
- 2.3.2 The above situation does not enable a reliable assessment regarding the extent to which the services provided comply with the intentions of the signatories. It is to be noted that, despite these contractual lacunae, the services provided by the Homes include the development and implementation of individual care plans, which are monitored and updated by various professionals. Aspects related to the residential stay, education, employment, health and long-term placements are continuously reviewed by the Head of Care, the Residential Programme Coordinators, as well as, other professionals namely psychologists and in instances social workers from Aġenzija Appoġġ.
- 2.3.3 The involvement of professionals who are external to the Homes, in part, mitigates the contractual deficiencies referred to in the preceding paragraph. Nevertheless, the current situation deviates from good administrative practices and does not appropriately safeguard service-users’ interests.

## 2.4 MFSS's maintenance responsibilities are unlimited

- 2.4.1 Article 14 of the 2001 Deed states that “The Government shall at all times and at its own expense keep the whole premises of the Conservatorio including the roofs, gardens and perimeter walls (but excluding the Chapel) in a good state of maintenance and repair”. However, no additional details were given in this regard, that is, to what extent such obligations may be considered to include extraordinary maintenance such as the structural works associated with the rebuilding of the perimeter wall and major refurbishment.
- 2.4.2 Legal advice sought by the NAO with regards MFSS's responsibilities concerning maintenance and refurbishment works noted that this Deed is *sui generis* and does not imply an ordinary lease agreement. To this effect, this Agreement seems to be implying that the CVB premises hosting Jeanne Antide and Fejda Homes are made available on loan or *commodatum*. Such provisions deviate from standard lease agreements. Consequently, within the context of this Deed, maintenance obligations become assumed by MFSS as the current administrator, in the light that no rent is being paid to the CVB.
- 2.4.3 This Deed lacks the necessary details to distinguish between ordinary maintenance, extraordinary maintenance and refurbishment works. Moreover, it is not clear which procedures should be followed when such works are to be undertaken and at which stages the Governmental entity administering the Deed is to be involved. The issues raised by these contractual clauses and implications are manifested through maintenance works carried out on a boundary wall and refurbishment works undertaken at Jeanne Antide Home at a cost of €56,652 and €205,187 respectively.

### **Contractual deficiencies resulted in litigation over boundary wall maintenance costs of €56,652**

- 2.4.4 While the Deed allocates maintenance responsibilities to MFSS as the current administrator, it does not stipulate the procedures to be followed when the need for such works arises. The impact of such a contractual deficiency is exemplified through the resultant litigation over structural works carried out in 2011 with respect to the re-building of the boundary wall surrounding the CVB premises.
- 2.4.5 According to documentation dating back to 2007, both parties were in agreement that such maintenance works were necessary. To this effect, the former Ministry for Justice, Dialogue and the Family (MJDF) as the Governmental entity responsible to administer this Deed, acknowledged its responsibilities towards these maintenance works in accordance with contractual obligations. To this effect, documentation dated 12 November 2007 shows that MJDF intended to evaluate the costs associated with such works.
- 2.4.6 A quotation for these works, which was obtained by the Trustees in 2011, amounted to €18,163. However, the total costs incurred for such works carried out between 2011 and 2012, amounted to €56,652. Such an expense is more than three times the original quotation. In addition, this expenditure did not actually cover all the costs, as there were still some pending works with respect to this boundary wall. The situation led to both parties litigating on the issue of costs for more than three years.
- 2.4.7 These circumstances, in part, materialised due to the absence of procedural provisions regulating the undertaking of maintenance works. To this effect, this Deed does not impose any financial capping on works or stipulate the procedures to be followed

in cases of cost overruns. Moreover, critically the Deed does not define parties' responsibilities in maintenance related issues.

### **The Deed does not clearly specify parties' responsibilities for refurbishment works**

2.4.8 The Deed under review omits to clearly allocate parties' responsibilities with regards to refurbishment works. The *sui generis* nature of this contract and its ensuing *commodatum* implications effectively shifts responsibilities for structural expenses to the borrower though in normal business practice such expenses are borne by the landlord. However, within the confines of this Deed, these implications primarily relate to ordinary and extraordinary maintenance works rather than refurbishment.

2.4.9 The contractual lacunae question whether MFSS should have borne refurbishment costs amounting to €205,187 associated with works carried out at Jeanne Antide Home during 2013 and 2014. These works primarily included structural alterations, new bedrooms, bathrooms, living room and a kitchen. This refurbishment was financed through surplus funds accumulated by the Board of Management (BoM) over a four-year period, as discussed in the ensuing Chapter. Within the context of this Deed and the circumstances in which such works were carried out, the undertaking of this refurbishment project raised the following concerns:

- i. The BoM authorised the undertaking of the refurbishment works at Jeanne Antide Home in 2013, at a time when MFSS representatives had not yet been appointed to sit on this Board. This state of affairs raises important contractual considerations. Through delaying the appointment of Board Members as its representatives, the MFSS forfeited the opportunity to contribute towards the Board's decisions to proceed with the refurbishment. On the other hand, considerable weight must be given to the counter argument that the votes of the four members representing the Trustees would have ensured that the project proceeds regardless of the vote of the MFSS representatives. This issue raises the point on the extent to which the contractual provision stipulating the BoM composition appropriately safeguards MFSS interests.
- ii. The Deed omits clauses relating to expenditure limits beyond which endorsement by MFSS must be sought. The absence of such a clause did not oblige the BoM to seek financial approvals from the relevant Governmental entities.
- iii. Even if assuming that MFSS was responsible for incurring the costs associated with this project, such capital expenditure would have added the value to the Trustee's assets. However, the Deed does not make any references that when such an investment is made, the party incurring the expenses, in this case MFSS, is guaranteed its subsequent utilisation for a period which reflects the materiality of the investment. The omission of such a clause assumes critical importance since either party could terminate the contract at a year's prior notice thus prohibiting the investor from reaping the intended benefits of such expenditure.

## **2.5 The 2001 Deed deviates from best practices when allocating parties' responsibilities associated with operational risks**

2.5.1 The NAO's review of the 2001 Deed revealed that a number of best practice clauses either lack the necessary details, thereby potentially leading to a different interpretation by the contracting parties, or are not referred to in the Agreement.<sup>2</sup> Table 1 refers.

<sup>2</sup> Best practice contractual clauses were derived from Australian National Audit Office, 2012, *Developing and Managing Contracts - Getting the right outcome, achieving value for money*.

**Table 1: Omitted or not appropriately defined best practice contractual clauses**

<b>Best practice contractual clauses</b>	<b>Status</b> (Omitted/Not appropriately defined)
Access and disclosure to premises and/or records	Omitted
Confidential information	Omitted
Conflict of interest	Omitted
Key personnel providing services	Not appropriately defined
Sub-contracting	Omitted
Liability and insurance	Omitted
Payments	Omitted
Penalties and incentives	Omitted
Transition arrangements	Omitted

2.5.2 Table 1 shows that a significant number of best practice contractual clauses are not included in this Deed, not only to the detriment of the contracting parties, that is, the MFSS as the current administrator and the Trustees, but also to the Homes' service-users. This is primarily due to a lack of contractual clauses that directly safeguard the latter's interests, such as payments, confidentiality, liability as well as transition arrangements related clauses. The following best practice contractual clauses were not included or appropriately defined in this Deed:

*i. Access and disclosure to the premises and/or records*

There are no specific clauses in the Deed, which regulate access to both the premises as well as to the relevant operational records, that enable performance and quality monitoring. Nevertheless, such access is indirectly granted to three MFSS representatives on the BoM. Furthermore, Government has to rely on ad hoc arrangements with the Homes when it deems it necessary to conduct on-site inspections.

*ii. Confidential information*

A confidentiality related clause is not included in the 2001 Deed despite the sensitivity of the issues being dealt with. However, to a great extent, this contractual lacuna has been mitigated through various policies adopted by the Homes to safeguard confidential information concerning service-users. Such policies include provisions in the employees' Collective Agreement and the employment contracts of senior officials such as the Residential Home Coordinators.

*iii. Conflict of interest*

A conflict of interest could potentially arise in any contractual situation. However, the relevant clauses to mitigate the risks emanating from potential conflict of interests have not been included in this Deed. In the absence of such a contractual obligation, the BoM does not invoke mechanisms whereby personnel involved in the provision of services or goods to the Homes are obliged to sign conflict of interest declarations. To this end, the Report by the Auditor General on Public Accounts for 2013 highlighted similar concerns relating to the procurement practices adopted by the CVB.

iv. *Key personnel providing services*

The Deed states that, “The Board of Management will be entitled to employ ... an adequate number of trained and qualified social workers and other support staff”. However, the Agreement does not refer to additional details, such as the required level of qualifications and experience.

v. *Sub-contracting*

Contractual clauses to ensure the effective management of any subcontracted work, such as the psychological services provided to the service-users or the undertaking of maintenance related work, are not included in this Deed. As a result, the Homes are not obliged to provide details of subcontractors to the other signatories.

vi. *Liability and insurance*

Liability related clauses that clearly define what each contracting party is accountable for in case of adverse circumstances are not included in the Deed. Consequently, the contract does not define the legal obligations or circumstances for compensation in the event that a specified risk occurs.

Additionally, this Deed does not refer to insurance policies, both in relation to the premises as well as to the personnel and service-users of these two Homes. Such clauses assume greater importance since activities are also performed outside the CVB premises. Despite the absence of such clauses, recently the Homes procured insurance cover against personal accident and accidental loss of or damage to property.

vii. *Payments*

The Deed does not clearly define the payments due by MFSS as the current administrator for the running of these Homes. Consequently, the 2001 Deed does not link payables to service output criteria. Nor does it impose any financial capping on the services provided or on the maintenance work undertaken at MFSS’s expense. The only instance where payments due have been quantified in the contract relates to a yearly grant of three thousand Malta Liri (Lm3,000) for every Home, increasing by 10 per cent every three years and payable to the Trustees.

Additionally, the Deed does not make references whereby MFSS can withhold or vary payments when the Homes have not met their obligations. In this case, the Agreement seems to safeguard only the CVB interests. To this effect, Article 5 stipulates that, “The Government will be responsible for and will meet all the financial expenses involved in the administration and running ... and in the care, boarding and maintenance of all the residents”.

viii. *Penalties and incentives*

Payments and performance regimes are not linked through penalties and/or incentives. Deliverables and the respective level of service provision expected from both Homes are not listed in the Deed. Payments due to Jeanne Antide and Fejda Homes for the services provided to Government are not in any way associated with the quality of the services delivered. Incentives to encourage

the Homes to achieve higher standards and improve operations for the wellbeing of the service-users are also lacking. Mechanisms that link payments with performance are not referred to in the Deed.

ix. *Transition arrangements*

This audit revealed that the Deed does not specify the parties' responsibilities at the end of the contract with regard to the Homes' service-users. To this end, an up-to-date transition-out strategy or plan is not available at either party. This situation is more critical, particularly in view that significant limitations currently exist in relation to where the residents of these Homes could be accommodated in the case of contract termination or a force majeure.

The only contractual reference relating to the termination of the Deed relates to the Government's obligations, as defined in Article 14, wherein it is stipulated that: "The Government undertakes to return such buildings and surrounding gardens in a good state of repair and with vacant possession on the termination of this agreement."

## 2.6 Conclusions

2.6.1 This Chapter has highlighted the existence of a number of contractual deficiencies in the Deed between MFSS as the current administrator and the Trustees. This situation is primarily attributable to the omission of a considerable number of contractual provisions, which are generally considered as reflecting good practices by better defining parties' responsibilities and contract deliverables.

2.6.2 Such a scenario raises a number of concerns. Firstly, these circumstances are not conducive to safeguarding the contracting parties' interests since their respective obligations are, on many occasions, only generically defined in the Deed. Secondly, the shortcomings identified with respect to the drafting of this Agreement also render it more problematic for the contracting parties to monitor and ascertain that the services delivered by the Homes adhere to the terms and conditions negotiated. Thirdly, contractual clauses deficiencies have, in cases, rendered payments by the Ministry administering the Deed as contentious through the resulting overpayments that materialised. Ultimately, these issues may have an effect on the welfare of service-users – the same residents whose well-being this Deed sought to safeguard.

2.6.3 The ensuing Chapter will discuss the various sources of funds that were allocated to the Homes during 2014, primarily from public resources. A review of the audited financial statements pertaining to recent years will give further details in this regard.

# Chapter 3

## Sources of Income and Audited Financial Statements

## Chapter 3 – Sources of Income and Audited Financial Statements

### 3.1 Introduction

- 3.1.1 Both Jeanne Antide and Fejda Homes are almost completely dependent on the funds derived through Agreements with the Ministry for Family and Social Solidarity (MFSS) and the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC). During 2014, such financing amounted to €665,000 or nearly 98 per cent of the total funds directed towards the running of these two Homes. To this end, MFSS's contribution regarding its Agreement with the Homes' Trustees through the 2001 Deed amounted to €575,000. Additionally, through the Non-Governmental Organisations (NGOs) Fund, MSDC provided a grant of €90,000 which was also to be utilised for the services provided by the Homes. The latter funding arrangements can be seen as additional financing for the services being offered through the aforementioned Deed.
- 3.1.2 This audit revealed that although Government is responsible to meet only the expenses incurred for the running of Jeanne Antide and Fejda Homes, the relative financial statements noted that €203,148 were declared as surplus funds between 2011 and 2014. Such a situation materialised since payments made by the aforementioned Governmental entities exceeded the expenditure incurred for the provision of the contracted services by the two Homes. These surplus funds, which are tantamount to over-payments, constitute around eight per cent of the total payments made by the former Ministry for Justice, Dialogue and the Family (MJDF), MFSS and MSDC during this period. The Board of Management (BoM) contends that these surplus funds were eventually utilised for the benefit of the Homes, mainly through a refurbishment project, costing €205,187, which was implemented between 2013 and 2014.
- 3.1.3 The Homes income for 2014 was supplemented through in kind and financial donations. In instances, these donations were not supported through the appropriate documentation, which prohibited identification of the gifts and eventual utilisation.

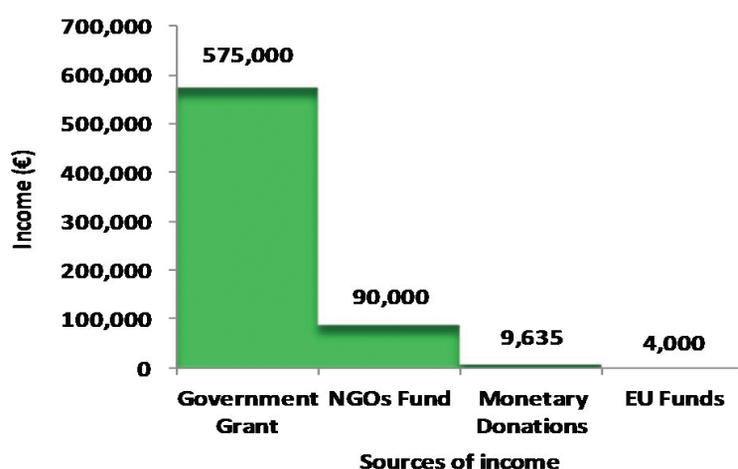
3.1.4 Against this backdrop, this Chapter reviews and discusses the following concerns:

- i. The Homes' reliance on public funds for their operation and maintenance.
- ii. The surplus funds accumulated by the Homes during the period 2011 to 2014.
- iii. Governments' minimal involvement in decisions relating to the Homes' maintenance and upkeep.
- iv. The lack of recording of monetary donations in the Homes' financial statements.
- v. Inadequate audit trail of contributions in kind and other indirect funding.
- vi. Weaknesses in the financial procedures and controls as noted in the audited financial statements.

### 3.2 The Homes are highly dependent on Governmental entities' financial contributions

3.2.1 Both Jeanne Antide and Fejda Homes are almost completely reliant on the financial contributions provided by the Government for their operation as well as maintenance. To this end, during 2014, the MFSS made payments amounting to €287,500 in conjunction with the Agreement governing each of the two Homes. This financial arrangement, which amounted to €575,000 constitutes around 85 per cent of the total revenue received by the Homes during 2014. Figure 2 below refers.

Figure 2: Sources of Income Jeanne Antide and Fejda Homes (2014)



3.2.2 As shown in Figure 2, the BoM procured more financial resources from the NGOs Fund through the MSDC on the premise that without this substantial supplement the Homes would have suffered a considerable deficit by end 2014, particularly in view of the increasing population at the Homes. Such a contention was made even though at the time the Homes' audited financial statement had shown that surplus funds were being accumulated. Despite the accumulation of these funds, over the period 2011 to 2014 Jeanne Antide Home received €90,000 annually from the NGOs Fund to supplement the revenue generated through the Deed.

3.2.3 It is to be noted, however, that, Jeanne Antide Home is not registered as a NGO with the Commissioner for Voluntary Organisations, and became entitled to such funding through Article 4(5)(b) of the Voluntary Organisations Act, CAP. 492, which states that:

- (5) *The following voluntary organisations shall be entitled to enjoy the privileges under this Act although not enrolled in terms of this Act:*
- (b) *any voluntary organisations which are declared by the Minister by regulations made by virtue of this Act, after consultation with the Council, as being entitled to the privileges under this Act.*

3.2.4 Figure 2 also shows that the Homes received €9,635 in monetary donations during 2014. Members from the Board of Trustees (BoT) of the Conservatorio Vincenzo Bugeja (CVB) contributed around 39 per cent of these donations, primarily intended as Christmas presents for the Homes' service-users as well as to cater for some of the expenses incurred during a live-in experience in Gozo.

3.2.5 Furthermore, Figure 2 illustrates that the Homes received €4,000 through EU funds, in conjunction with the *Youth in Action Programme* for 2013-2014. This project involved outdoor activities as well as a live-in for all the service-users. The major scope of this project was for the participants to gain and put into practice a number of life-skills. In October 2014, the Homes applied for further EU funding with respect to two more projects that were approved and are to be implemented by 2016. These projects mainly relate to the training of the Homes' staff and a youth exchange programme for service-users.

### 3.3 Personal emoluments constitute the major item of expenditure

3.3.1 In 2014, expenditure incurred for the provision of services at Jeanne Antide and Fejda Homes amounted to €652,116.<sup>3</sup> The Homes' major expenditure related to the direct costs associated with the provision of residential care, which totalled €529,317 or 81 per cent of the total expenditure. These expenses mainly relate to salaries pertaining to the Head of Care, the Residential Home Coordinators and the Care Workers (€440,422). Table 2 provides a breakdown of the Homes' expenses in terms of direct and indirect costs.

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<sup>3</sup> This amount relates only to operational expenditure incurred during 2014 and excludes the costs associated with the refurbishment project, which was financed through accumulated surplus funds from previous years.

**Table 2: Expenditure incurred by Jeanne Antide and Fejda Homes (2014)**

Expenditure	Fejda Home (€)	Jeanne Antide Home (€)	Total	
			(€)	%
Residential Care	259,156	270,161	529,317	81.2
Overheads - General	30,117	41,090	71,207	10.9
Overheads - Administration Salaries	33,207	18,385	51,592	7.9
Total	322,480	329,636	652,116	100.0

3.3.2 Another significant direct expenditure item, amounting to 5.3 per cent (€27,869) of the total direct costs relates to the sub-contracting of Counselling services. These therapy sessions were provided to both service-users and staff.

3.3.3 Table 2 shows that, during 2014, overheads accounted to €122,799 or 18.8 per cent of the Homes' total expenditure. The main overhead cost component related to the personal emoluments of administration staff, which amounted to €51,592. The remaining €71,207 (10.9 per cent) primarily consisted of water and electricity charges, depreciation for structural improvements, motor vehicle expenses, cleaning, as well as repairs and maintenance.

#### **3.4 Overpayments of €203,148 materialised through the implementation of the Agreements with MFSS and MSDC**

3.4.1 An operating surplus materialised despite the contractual provisions stipulating that the Governmental entity party to the Deed is "responsible for and will meet all the financial expenses involved in the administration and running ..." of Jeanne Antide and Fejda Homes. This scenario has replicated similar circumstances since 2011.

3.4.2 Consequently, between 2011 and 2014, the Homes accumulated €203,148 of surplus funds, where in 2014, the Homes registered an operational surplus of €15,270. The latter amount is significantly less than in previous years where, for instance, the surplus in 2012 peaked at €112,752. Table 3 refers. The decline in surplus funds is primarily attributable to two major issues:

- i. Efforts by MFSS were stepped up to adjust financial tranches to reflect operational expenses incurred by the Homes. This circumstance was also evident when operational expenses increased due to the Homes accommodating more service-users.
- ii. The members present within the Board of Management unilaterally agreed to utilise surplus funds to finance a refurbishment project as indicated in the next paragraphs.

**Table 3: Surplus funds recorded by Jeanne Antide and Fejda Homes (2011 to 2014)**

Year	Income (€)	Expenditure (€)	Surplus funds (€)
2011	594,051	556,263	37,788
2012	653,704	540,952	112,752
2013	653,400	616,062	37,338
2014	667,386	652,116	15,270
<b>Total</b>	<b>2,568,541</b>	<b>2,365,393</b>	<b>203,148</b>

3.4.3 Table 3 depicts that the surplus funds resulted since the expenditure incurred to provide the services at these Homes was less than the revenue generated through the Agreements with Governmental entities. Such a situation materialised since the financial tranches forwarded by the former MJDF, MFSS as the current administrator of this Deed and MSDC, to the BoM in conjunction with the Agreements were not adjusted to reflect the previous year's expenditure.

3.4.4 In reply to an enquiry by MFSS dated 13 February 2015, the BoM contended that the resultant surplus funds were declared as net assets and utilised to decrease the amount of trade payables, increase the cash at bank as well as cover capital expenditure in relation to the refurbishment of Jeanne Antide Home. On review it transpired that most of the cash at bank accumulated through surplus funds over the years was ultimately used to finance the refurbishment project. However, as discussed in the ensuing Section, the use of public funds for refurbishment-related works is considered a contentious issue.

### **3.5 MFSS played a limited role in the refurbishment of Jeanne Antide Home**

3.5.1 The 2001 Deed stipulates that the party representing Governmental interests is responsible for the maintenance and upkeep of the Homes. At this juncture, this Report reiterates its reservations on the contentious contractual provisions within the Deed regarding the unclear definition of the term maintenance. Furthermore, such reservations extend to the extent to which MFSS, as the current administrator, is responsible for refurbishment projects within these Homes.

3.5.2 The total expenses incurred for such refurbishment works amounted to €205,187. These works mainly included structural alterations, new bathrooms, bedrooms, living room and a kitchen. It is to be noted that, the costs incurred for such works were almost equivalent to the aforementioned surplus amounts recorded by the Homes between 2011 and 2014, as referred in section 3.4.2. Table 4 refers.

**Table 4: Breakdown of costs incurred for the refurbishment of Jeanne Antide Home (2013 to 2014)**

Description of goods/ services procured	Contractor/Consultant	Costs incurred (€)
Alterations and finishing works	SAD Finishing LTD (Contractor)	76,983
Mechanical and electrical works	Raymond Vella & Co. Ltd. (Contractor)	58,519
Furniture	R Living (Contractor)	27,480
Project Managers	QPM (Consultant)	33,964
Consulting Engineers	Camilleri and Cuschieri (Consultant)	8,241
<b>Total</b>		<b>205,187</b>

3.5.3 Table 4 denotes the expenditure incurred with respect to the refurbishment project at Jeanne Antide Home and lists the major companies contracted to undertake the relative works. It is to be noted that the CEO of one of the companies portrayed in Table 4 sat on the Board of Trustees at the time the contract was awarded in 2013 and since November 2014 has also been a member of the Homes' BoM. Such circumstances are considered to deviate from good governance practices, particularly since the award of the Project Management contract did not entail a competitive call for quotations. On enquiry, the BoM contended that the company in question was already familiar with the Homes' setup and had previously satisfactorily undertaken works at CVB.

3.5.4 Irrespective of Governmental entities' contractual refurbishment responsibilities or otherwise, MFSS as the current administrator of the Deed was not directly involved in the commissioning and execution of works related to the refurbishment of Jeanne Antide Home, carried out in 2013 and 2014. Such a situation resulted since MFSS representatives had not been appointed to sit on the BoM for 10 months between June 2013 and March 2014. To this end, the BoM's minutes for the monthly management meeting held on 26 August 2013 note the then Chairman's remarks as follows:

*"The Hon Chairman regretted that the Government had not yet appointed its representatives to sit on the Board of Management .... However with the majority of members present and in the interest of the residents, the Hon Chairman proceeded with the business of the meeting."*

3.5.5 The former CEO of the Foundation for Social Welfare Services also noted the situation concerning the delayed appointment of MFSS representatives on the BoM in August 2013. Despite this communication, the new Government representatives on the BoM were appointed on 25 March 2014 and attended the first BoM meeting in May, when the refurbishing related works were almost complete. Consequently, the involvement of any Governmental entity or representative during such works at Jeanne Antide Home was, at best, minimal.

3.5.6 Such circumstances mainly materialised as the BoM authorised the undertaking of the refurbishment works at Jeanne Antide Home in 2013, at a time when MFSS representatives had not yet been appointed to sit on this Board. As noted earlier in this Report, such a state of affairs raises important contractual considerations. To this effect, considerable weight must be given to the counter argument that the votes of the four members representing the Trustees on the BoM would have ensured that the project proceeds regardless of the vote of the MFSS representatives. This issue raises the point on the extent to which the contractual provision stipulating the BoM composition appropriately safeguards Governmental interests.

### 3.6 Procedures and controls relating to monetary donations received by the Homes are not adequately robust

3.6.1 During 2014, this audit estimated that Jeanne Antide and Fejda Homes received nine monetary donations amounting to €9,635. These ranged from €25 to €3,000 that were mainly utilised for the service-users' Christmas party and gifts respectively. Table 5 portrays these donations and their eventual utilisation.

**Table 5: Monetary donations received by the Homes (2014)**

Donation (No.)	Date	Benefactor (Trustees/Community Chest Fund/Other)	Scope of monetary donation	Donations Received (€)
1	15 June	Trustees	Live-in activity in Gozo	500
2	30 June	Other	Live-in activity in Gozo	1,000
3	30 June	Community Chest Fund	<i>Unknown</i>	250
4	3 September	Other	Private lessons for the residents	2,000
5	16 September	Other	Sponsor for activity	2,000
6	30 November	Community Chest Fund	Dental services	610
7	18 December	Other	Christmas party	25
8	27 December	Trustees	Christmas lunch and activity	250
9	30 December	Trustees	Christmas gifts	3,000
<b>Total</b>				<b>9,635</b>

3.6.2 The information presented in Table 5 was derived through various sources, namely documentation maintained by the Homes' Management and Accountant, as well as CVB Trustees. To varying degrees, these three sources provided the opportunity to triangulate information concerning monetary donations received by the Homes. However, this audit revealed that the procedures and control mechanisms exercised by the Homes with respect to monetary donations were not fully appropriate. The following refers:

- i. Monetary donations received by Jeanne Antide and Fejda Homes during 2014, in instances, were not declared as a revenue in the Income and Expenditure account that is presented with the Homes' yearly financial statements. This situation particularly relates to the sum of €1,000, which was utilised for a live-in activity in Gozo and €250 that were used for the Christmas lunch. Such situations deviate from accounting practices and do not fully reflect the expected level of transparency as well as accountability.
- ii. The financial statements declare all income received by the Homes against the total expenditure incurred with the exception of monetary donations. To this end, the financial statements present the closing net balance resulting from the donations received against the relative expenditure incurred as at year end. This situation is deemed to be inconsistent with the practice adopted by the same financial accounts when declaring other sources of income and expenditure. Moreover, the presentation of just the closing net balance as at year's end with respect to the monetary donations is not conducive to full transparency with regards to the income received by the Homes.
- iii. Inconsistencies with generally accepted accounting practices also materialised with respect to the financial procedures concerning monetary donations received by the Home. At the outset, there is not a robust mechanism in place to ascertain that all donations received are fully accounted for due to the following:
  - a. Benefactors deposited donations at the Homes rather than directly into the relative Homes' bank account.
  - b. Donations received at the Homes were not always expediently or deposited at bank.
  - c. The Homes did not issue official receipts but an acknowledgment through a 'thank-you' letter to benefactors.

### **3.7 Contributions in kind and other indirect funding were not properly documented**

3.7.1 In addition to monetary donations, other benefactors provided a number of goods to Jeanne Antide and Fejda Homes during 2014. These donations in kind ranged from foodstuffs to cosmetics, washing liquids, used books and clothes, as well as gym equipment. Table 6 refers.

**Table 6: Goods donated to Jeanne Antide and Fejda Homes (2014)**

Donation (No.)	Date	Benefactor (Trustees/Other/Unknown)	Description of goods
1	13 January	Other	Fruit
2	13 January	Other	Christmas lunch
3	14 February	Other	Fast-food vouchers
4	27 May	Other	Hands-on day
5	30 June	Other	<i>Unknown</i>
6	15 July	<i>Unknown</i>	Gym equipment
7	16 July	Trustees	Staff training
8	6 August	Other	<i>Unknown</i>
9	29 August	Trustees	Two industrial fans
10	3 September	Other	Cosmetics and haberdashery
11	14 October	Trustees	Cooker
12	9 December	Other	Confectionary
13	30 December	Other	Meals
14	30 December	Other	Cosmetics

3.7.2 The administration and accounting of donations in kind was generally characterised by a lack of detailed records. Consequently, it was not always possible to identify the benefactor making the contribution, the gifts that were donated and the potential value of such goods.

3.7.3 Besides the aforementioned monetary donations and goods received, the Homes also benefitted from a number of additional services, which supported their operations. These namely include:

- i. A 50 per cent contribution by Aġenzija Appoġġ for the High Support Services (HSS) provided at the Homes. This contribution entails the reimbursement of personal emoluments in conjunction with extra duty carried out by two care workers employed at Jeanne Antide Home. During 2014, the refund received by the Homes for such services amounted to €14,937.
- ii. Support from Social Workers and, to a much lesser extent, Psychologists and Psychiatrists from Aġenzija Appoġġ. In these cases, due to the lack of adequate documentation with respect to the time allocated to every service-user at Jeanne Antide and Fejda Homes, it was not possible to quantify the cost of such services. To this end, the Homes' Management has noted that although a register is kept at the Homes in order to log such visits by Social Workers and other professionals, this is not always signed.
- iii. Contribution from the Trustees relating to the administrative services provided by CVB's CEO and Administrator. It is estimated that, during 2014, this in kind contribution for 50 per cent of the aforementioned officials salaries amounted to €32,911.

- iv. Voluntary work by members of the Rotary Club Malta in May 2014. This work consisted of painting apertures and common areas at Fejda Home, as well as cleaning of the surrounding gardens.
- v. Voluntary work by other individuals and groups relating to sports coaching, outings and styling.

3.7.4 On discussion, the BoM acknowledged the limitations relating to donations received by the Homes as portrayed in Sections 3.6 and 3.7. Moreover, the BoM agreed to address the issues of concern noted herein.

### 3.8 Audited financial statements have revealed a number of weaknesses in procedures and controls

3.8.1 Since 2012, the Homes' external auditor has reviewed the annual financial statements pertaining to Jeanne Antide and Fejda Homes. Over the past three years, the external auditor opined that the financial statements presented by the Homes, gave a true and fair view of the financial position, performance and cash flows of the Homes, in accordance with International Financial Reporting Standards as adopted by the European Union.

3.8.2 Despite this opinion, management letters drawn up by the external auditor and presented with the respective audited financial statements revealed a number of weaknesses in financial procedures and controls. These issues namely related to the payroll system and controls over expenditure. Table 7 denotes through the symbol 'x', the years when such comments featured in the auditor's management letters.

**Table 7: Weaknesses associated with procedures and controls as noted in the audited financial statements (2012 to 2014)**

Observation	2012	2013	2014
<b>Payroll:</b> <i>Inadequate reporting of withholding tax on part-time earnings</i>	x	x	x
<b>Payroll:</b> <i>FS7 and FS3 documents did not reconcile</i>	x		x
<b>Payroll:</b> <i>ETC reporting of an employee being engaged/terminated missing (due to a genuine oversight)</i>		x	
<b>Controls over expenditure:</b> <i>Recurrent expenditure not always supported by a proper fiscal invoice/receipt and/or endorsed to denote authorization and acceptance</i>	x		x
<b>Controls over expenditure:</b> <i>Motor vehicle repairs not adequately monitored to ensure that such expenses represent value for money</i>	x		
<b>Controls over expenditure:</b> <i>Expenses related to detergents and personal lotions lack endorsement by an authorizing official as well as evidence of receipt by the nominated service-user</i>	x		
<b>Controls over expenditure:</b> <i>Capital expenditure related to lower value assets lacks an adequate level of detail</i>		x	
<b>Controls over expenditure:</b> <i>Substantial prior year adjustments</i>	x	x	x

Source: Audited financial statements and management letters (2012-2014).

- 3.8.3 As noted in Table 7, some of the issues raised by the external auditor remained outstanding as at end 2014. One of the recurring issues pertained to inadequate reporting of withholding tax on part-time earnings within the payroll system. In the absence of proper controls to ensure that the withholding tax is adequately reported and deducted, the Inland Revenue Department (IRD) may claim any potential tax due irrespective of whether such amounts are recoverable from the employee or otherwise. To this end, the payroll software utilised by the Homes' Administrative Department does not include a measure of embedded controls, to ensure that all reports are drawn up in an accurate manner.
- 3.8.4 Moreover, the external auditor noted a number of other weaknesses relating to the payroll system. A discrepancy between the summation of salaries as per FS3s and the respective amount enlisted in the FS7 persisted over both Homes even though the aggregate values agreed. In the case of Fejda Home, the analysis of tax deductions between the 15 per cent withholding tax and the other tax deductions did not agree with the apportionment as carried out in the FS7. Such inconsistencies could be indicative of the poor quality of information submitted to the IRD, coupled with the lack of embedded controls in the payroll software. The BoM remarked that payroll concerns will be discussed in detail with the external auditor with the aim of resolving these issues.
- 3.8.5 The external auditor also remarked that not all items of expenditure were supported by a proper fiscal invoice/receipt and that not all invoices were endorsed to denote authorisation as well as acceptance. In the absence of such controls, the BoM risks incurring higher levels of expenditure than necessary. To this end, the BoM noted that measures to avoid such situations were introduced in 2012. However, some concerns as noted by the external auditor prevail.
- 3.8.6 Management letters and notes to the accounts drawn up by the external auditor also referred to prior year adjustments that were being included regularly in the annual financial statements. To this effect, between 2012 and 2014, the BoM's prior year adjustments totalled €81,836 with a resultant net positive balance of €53,582 in favour of the Homes as at end 2014. Such adjustments are generally made to reflect changes to an Organisation's financial policies or to correct accounting errors. The regularity of these adjustments imply the latter. Although not considered material to merit a note from the external auditor in the yearly financial statements, these prior year adjustments imply that the Homes financial position in the preceding period was not fully and accurately disclosed. The BoM contended that these adjustments materialised due to various accounting as well as financial inaccuracies and practices pertaining to previous years. These matters were detected following the introduction of a new accounting system in 2012. Furthermore, prior year adjustments were resorted to due to payment of arrears to employees following changes to Government pay scales, which are intrinsically linked to the pay structures at the Homes.

### 3.9 Conclusions

- 3.9.1 This Chapter sought to outline the Homes' sources of income and to review the Residences' audited financial statements. It is evident that the running of Jeanne Antide and Fejda Homes is almost totally dependent on the income generated through the 2001 Deed.

- 3.9.2 There are two sides to this state of affairs. Firstly, the Deed seeks to promote the interests and welfare of service-users who are under a court or care order. Within this context, public grants represent society's responsibility to care and support the Homes' residents. On the other hand, the over-reliance on public funds raises the question whether the BoM, in line with the voluntary organisations' *ethos*, is appropriately motivated to generate further income from other sources to supplement the public grants directed towards the provision of services at these Homes.
- 3.9.3 The reliance on public funds further manifests itself in the various sources of income derived through Agreements currently administered by MFSS and MSDC. The latter contract supplements the Homes' income for the provision of services under the Deed with the former. As indicated in the financial statements, however, the income derived through the NGOs Fund contributed to the resultant financial surplus as over a number of years, the anticipated operational expenditure did not fully materialise.
- 3.9.4 To an extent, the accumulation of surplus funds over a number of years should have been anticipated by the funding entities - particularly since the Homes operational expenses in 2012 had significantly decreased due to a decline in service-users. This situation demonstrates communication shortcomings mainly between the entities who funded the same services through two separate contracts over a considerable period.
- 3.9.5 Efforts by MFSS to adjust the financial tranches to the Homes to reflect prevailing operational circumstances are acknowledged. However, contractual lacunae hindered this Ministry from recouping overpayments made in previous years. This state of affairs further shows how contractual shortcomings relating to the 2001 Deed permeated throughout the administration of these Agreements.
- 3.9.6 Ultimately, the surplus funds were used to refurbish Jeanne Antide Home. However, the discussion about contractual lacunae presented earlier in this Report resurface again, as it remains contentious as to whether the maintenance clauses therein extend to refurbishment involving structural works. Moreover, governmental entities played a minimal role in all phases concerning this project. This raises questions on the current governmental structures and mechanisms in place to ensure a higher level of participation in the management of these Homes.
- 3.9.7 This Chapter also raised a number of corporate governance issues concerning the Homes' financial management. The Homes' external auditor also raised a number of issues in this regard. However, these issues still prevail to the detriment of better financial governance with respect to the Homes' management.
- 3.9.8 The next Chapter discusses the extent to which the services delivered at these Homes adhere to contractual provisions and represent value for money. The review undertaken however is subject to some limitations due to contractual lacunae regarding the envisaged deliverables through the current Agreements.



# Chapter 4

## Deliverables and Value for Money

## Chapter 4 – Deliverables and Value for Money

### 4.1 Introduction

4.1.1 The quality and timeliness within which Jeanne Antide and Fejda Homes provide their services is critical to the well-being and social development of service-users. However, the 2001 Deed, the primary Agreement regulating the services to be provided within these Homes, does not appropriately define the clause “all the needs of the residents”.

4.1.2 This state of affairs limited comprehensive analysis in this regard, however, various indicators emerge. For the purpose of this assessment, service delivery in the context of this Deed is being understood to comprise the delivery of hotel services (accommodation, catering and cleaning) as well as the provision of the required specialised care to ensure the proper welfare and social development of service-users.

4.1.3 Against this backdrop, the ensuing sections address the following issues:

- i. Undefined terms and conditions associated with service provision.
- ii. The services provided at the Homes.
- iii. Value for money considerations.

### 4.2 Undefined contractual clauses within the 2001 Deed do not fully reflect current operations at the Homes

4.2.1 The lack of pre-established terms and conditions associated with the contract deliverables does not constitute an ideal situation. It does not appropriately safeguard the Agreement signatories’ position nor the intended final beneficiaries of the Deed. This state of affairs precluded a comprehensive analysis of the extent to which service delivery at these Homes complied with the original intentions of the 2001 Deed.

4.2.2 On the basis of interviews with both parties to this Deed, it transpires that when the original Agreement was signed, the intention was that the Homes provide all the services necessary to ascertain that residents received all the services required to ensure their well-being and development. The justification of these intentions, in part, also stems from the fact that social care and psychological services delivered within the community were still being developed.

4.2.3 In the absence of contractual clauses which appropriately define service delivery at these Homes, this review could not provide a definitive or conclusive statement as to the extent to which services provided by the Homes comply with contract specifications. However, this review elicited a number of issues, which are deemed as indicative of the level of service-delivery at these Homes. A case in point relates to the scope of services provided at these residencies. The current Deed does not reflect the operational evolvments over the years, including the increasing role played by Aġenzija Appoġġ in the provision of these services. The following refers:

- i. In accordance with Article 1(b) of the Deed *in vigore*, Fejda Home was originally intended to serve as a residential home for the care of ‘difficult young female adolescents’. On the other hand, the scope of Jeanne Antide Home was to care for ‘young females in needy circumstances according to the requirements as laid down in the terms of the Foundation’. These primarily include poor and/or orphaned children. However, in practice, a similar case-mix is currently adopted at both Jeanne Antide and Fejda Homes. The Homes’ Management contends that such circumstances evolved as the Homes are running a single programme adapted to cater for the different needs of service-users. Furthermore, the Board of Management (BoM) contended that this approach is also deemed beneficial since it minimises the number of transitions while in care and facilitates the accommodation of siblings within the same residence. However the current care models adopted by the Homes, particularly with respect to the case-mix within each residence is not supported with comprehensive studies to ensure that such decisions will ultimately be of benefit to the service-users themselves. The latter comment reflects current circumstances where National regulations and standards relating to the provision of out-of-home residential care have various limitations. Furthermore, the 2001 Deed does not appropriately define service delivery.
- ii. Undefined contractual clauses also raise issues relating to the extent to which sub-contracting or services provided by other Governmental entities are monitored and regulated. Within the context of services delivered at these Homes, such circumstances relate to the complimentary professional input provided by Aġenzija Appoġġ. The latter is supplementing, and in a particular instance subsidising, various care services at Jeanne Antide and Fejda Homes – which is contributing to the Homes’ operational financial surpluses as discussed in Chapter 3. Such contribution by Aġenzija Appoġġ namely relates to the following:
  - a. In 2014, Aġenzija Appoġġ incurred costs amounting to €14,937 for High Support Services (HSS) and around €19,362<sup>4</sup> for social work. However, Aġenzija Appoġġ does not charge or receive any payment for the latter service. It is to be noted that since 2012, the Homes ceased to employ residential social workers. The engagement of professionals from Aġenzija Appoġġ rather than the private sector can be viewed as decreasing the Homes’ operational costs while further stretching the resources of a governmental agency, which is also fully funded through public funds.
  - b. In August 2014, Aġenzija Appoġġ established the Santa Venera Residence to increase the supply of out-of-home residential care and to steer towards a more community based treatment approach. Costs incurred in this respect

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<sup>4</sup> Equivalent to the gross yearly wage of one fulltime Social Worker (assuming a total case-load of 19 individuals per Social Worker at Aġenzija Appoġġ i.e. an average of around five per cent of the time being allocated to every service-user at Jeanne Antide and Fejda Homes).

during the first year of operation amounted to around €370,000. The Santa Venera Residence is currently accommodating the more complex cases. A case in point relates to two service-users who were transferred from the Homes to the Santa Venera Residence.

### 4.3 Contractual lacunae severely hampered a more detailed analysis of the services provided by the Homes

4.3.1 As acknowledged by the Department for Social Welfare Standards (DSWS), caring for young people in residential services is widely recognised as a challenging job within the social care sector. Most of the young people who live in residential care have significant social, emotional and behavioural difficulties, with a range of complex needs. These persons require a well-developed care practice and management, administered by skilled and well-supported staff who are trained to provide the necessary therapeutic care and support the service-users in their development. Consequently, it would be expected that an Agreement would base the provision of such services within this context.

4.3.2 The 2001 Deed, however, does not define the terms and conditions relating to service provision by the Homes. This situation severely hampers any exercise aimed at determining the outputs and outcomes associated with this Agreement. To this end, this would entail determining the extent to which the services provided by the Homes are sufficient to meet the service-users’ needs in accordance with generally accepted practices and social care objectives.

4.3.3 In the circumstances, the National Audit Office (NAO) adopted its service delivery criteria on the outputs outlined in the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) Agreement regarding the financial grants awarded to Jeanne Antide Home through the Non-Governmental Organisations (NGOs) Fund. The reasonableness of this approach stems from the fact that in practice both Jeanne Antide and Fejda Homes offer similar services to a comparable case-mix of service-users. This approach is further justifiable since the Homes’ operational practice and documentation as well as financial records do not always make it possible to distinguish between the services provided at either of these Homes.

4.3.4 Within this context, the review focused mainly on therapeutic and residential care at both Homes, as provided for through the two Agreements currently administered by Ministry for Family and Social Solidarity (MFSS) and MSDC. For the purpose of this review, the services discussed herein were categorised as depicted in Table 8.

**Table 8: Services delivered by Jeanne Antide and Fejda Homes (2014)**

Type of Service	Type of Intervention	Interventions (Qty.)	Beneficiaries (Qty.)
Hotel Services	Accommodation	24 hours / 7 days basis	All service-users
	Catering		
	Cleaning		
Residential Care	Formal Therapeutic Care	Group sessions: Once every fortnight	All service-users and staff supervision
		Individual sessions: Weekly basis	On a needs basis for service-users and staff
	Informal Care	8 hours / 7 days basis <sup>5</sup>	All service-users

<sup>5</sup> This excludes the time spent at school or work, as well as sleeping.

4.3.5 Table 8 shows that the services provided by the Homes include the provision of hotel services through accommodation, catering and cleaning on a 24/7 basis, as well as the provision of residential care. The latter is mainly intended for the service-users to acquire the essential life-skills, which are indispensable for independent living. Therapeutic care relates to the provision of psychosocial services either through group sessions or on a one-to-one basis. During 2014, the costs of hotel and residential care services at Jeanne Antide and Fejda Homes amounted to €129,076 and €477,397 respectively.<sup>6</sup>

***Hotel services at Jeanne Antide and Fejda Homes accounted for around one fifth of the expenditure incurred during 2014***

4.3.6 During 2014, the total cost of the hotel services provided by the Homes amounted to €129,076, which is equivalent to around one fifth of the total expenditure. Table 9 refers.

**Table 9: Expenditure related to the hotel services provided by the Homes (2014)**

Hotel Services	Average cost Per Person Per Night (€)	Total cost Jeanne Antide and Fejda Homes (€)
Accommodation	8.13	56,366.42
Catering	8.28	57,442.71
Cleaning	2.20	15,266.90
<b>Total Cost</b>	<b>18.61</b>	<b>129,076.03</b>

4.3.7 Table 9 shows that in 2014, the average cost per person per night for the provision of hotel services amounted to around €19. This estimate excludes the service-users’ input to cleaning and catering duties, which forms part of the necessary basic life-skills training provided in terms of the residents’ development. Nevertheless, the estimated cost of hotel services provided by the Homes are considered fair and reasonable when compared to similar services provided at residential homes for the elderly. With respect to the latter, in 2013 the NAO had estimated the cost of these services to €36.72 per resident per night.<sup>7</sup>

***The provision of residential care absorbs around 80 per cent of the Homes’ total expenditure***

4.3.8 In 2014, it has been estimated that the Homes’ total expenditure for the provision of residential care amounted to €477,397. The provision of residential care services comprises two main elements. The first relates to the formal therapeutic care provided by professionals through individual as well as group psychosocial sessions. The second refers to the provision of informal care, intended for service-users to acquire the essential life-skills required for independent living. It is estimated that the costs for the provision of formal and informal therapeutic care amounted to €27,869 and €449,528 respectively.

4.3.9 The absence of Key Performance Indicators (KPIs) as well as the relative data related to informal care in terms of outputs and outcomes compounded with the limitations in the availability of benchmarks precludes any further analysis in this regard. However, this review elicited two main concerns related to the provision of formal therapeutic care.

<sup>6</sup> Based on figures quoted in Conservatorio Vincenzo Bugeja Homes, Annual Report and Financial Statements, year ending 31 December 2014.

<sup>7</sup> Report by the Auditor General (Malta), 2015. Performance Audit: *Provision of residential long-term care (LTC) for the elderly through contractual arrangements with the private sector*, page 84.

***Around 39 per cent of the budgeted hours for formal therapeutic care were not delivered***

4.3.10 As recorded in the audited financial statements for year ending 31 December 2014, the costs of formal therapy, which mainly comprises the sub-contracted counselling services to three external psychologists totalled €27,869. A review of available documentation, namely the application for grants through the NGOs Fund, meeting minutes and invoices showed that, it was envisaged that during 2014 a total of 722 hours of therapeutic care was to be provided at Jeanne Antide and Fejda Homes. Table 10 refers.

**Table 10: Delivery of therapeutic services to Jeanne Antide and Fejda Homes' residents (2014)**

Therapeutic sessions for service-users	Budgeted time (hrs)	Actual time delivered (hrs)	Variance (hrs)
Group sessions <sup>8</sup>	208	267	59
One-to-one	514	171	-343
<b>Total</b>	<b>722</b>	<b>438</b>	<b>-284</b>

4.3.11 Table 10 shows that collectively, Jeanne Antide and Fejda Homes delivered therapy group sessions in accordance with the budgeted hours outlined in the NGOs Fund Agreement. Out of the 208 hours allocated for therapeutic group sessions, records available showed that, during 2014, the Homes utilised 267 hours, which is more than that originally planned.

4.3.12 Based on the same approach, an evaluation of the one-to-one therapeutic sessions for the service-users showed that a negative variance of 343 hours materialised between the budgeted allocation and actual delivery. This variance amounts to around 67 per cent of the allocated hours. To this end, the Homes' Management contends that, during 2014, the actual need for individual therapeutic sessions was much less than the 2013 forecast.

***Not all the staff at Jeanne Antide and Fejda Homes attended one-to-one supervision on a regular basis in 2014***

4.3.13 The Homes also acknowledge that care workers also need supervision from psychologists to prevent burnout, to deal with work related difficulties and to provide the necessary guidance. A report by DSWS on the subject matter stresses the importance that such a service is available to employees within the social care sector.<sup>9</sup> Furthermore, the Homes' employees' job description obliges that care workers attend therapeutic sessions '*on a regular basis for supervision services with the external supervisor provided by the Organisation*'. Table 11 shows the budgeted group as well as individual therapy sessions planned for the supervision of staff employed at Jeanne Antide and Fejda Homes.

<sup>8</sup> Group sessions were based on an average of four hours each including preparatory time.

<sup>9</sup> Review of the operations at Jeanne Antide and Fejda Homes, Department for Social Welfare Standards, April 2009.

**Table 11: Staff supervision through therapeutic sessions at Jeanne Antide and Fejda Homes (2014)**

Staff supervision	Budgeted sessions (No.)	Sessions delivered (No.)	Variance (No. of sessions)
Group	24	40	16
Individual	336	59	-277

4.3.14 The situation portrayed in Table 11 materialises since only nine out of the 28 staff eligible attended for the one-to-one supervision sessions with psychologists. Although more group sessions were delivered than planned, in the absence of documented attendance lists, meetings with the Homes' Management revealed that some members of staff did not attend.

4.3.15 The non-attendance by staff to individual and group therapy session deviates from the Home' policy as expressed in the employees' job description. This may indirectly diminish the quality of the services provided by care workers. Such situation arises since the output levels may decrease in terms of both quality and quantity if the staff requiring these services is not seeking the professional supervision required, potentially to the detriment of service-users. The BoM contended that they are fully cognisant of such circumstances and is seeking solutions to address this concern.

#### **4.4 The absence of KPIs and contractual lacunae limit conclusive VfM analysis**

4.4.1 As noted in Figure 2, in 2014, the Homes were in receipt of €665,000 in financial grants from MFSS and MSDC as the current Governmental entities administering the Agreements under review. These funds were further supplemented with monetary donations from a number of private benefactors. The foregoing implies that governmental entities are burdened with 98 per cent of these costs. The average cost in terms of each of the 19 residents amounted to around €94 per person per night.

4.4.2 The absence of KPIs to determine whether Value for Money (VfM) was attained through the two Agreements, constrained assessment in this respect. Furthermore, the limited availability of data, which would enable cost comparisons of the Homes' deliverables with similar services, also precludes conclusive evaluations.

4.4.3 The foregoing rendered the evaluation of the extent to which the costs being incurred on a per person per night (pppn) basis constitute value for money a more complex exercise. To this end, this review noted that, although not completely comparable to Jeanne Antide and Fejda Homes, in general, other residential care services procured or delivered by other Governmental entities would cost in the range of €50 pppn.<sup>10</sup> This is considerably less than the €94 pppn incurred during 2014 by Jeanne Antide and Fejda Homes.

4.4.4 The significant variance in operational costs on a pppn basis, as depicted in the preceding paragraph, in part, may be attributable to economy of scale opportunities. This is shown by the respective pppn rate during this period. Table 12 refers.

<sup>10</sup> This average operational cost on a per person per night basis was derived from a number of local residential care institutions.

**Table 12: Variance in the pppn rates at Jeanne Antide and Fejda Homes (2011 to 2014)**

Year	Average service-users (No.)	Total expenditure (€)	Cost per person per night (€)
2011	15	556,263	101.60
2012	13	540,952	114.00
2013	14	616,062	120.56
2014	19	652,116	94.03

4.4.5 As shown in Table 12, the operational costs incurred by Jeanne Antide and Fejda Homes on a *per capita* basis varied from around €121 in 2013 down to €94 per night in 2014. This is mainly attributable since in the former year, the average number of service-users at the Homes was 14. During the latter year, the average service-user population increased to 19. In this period, the number of employees at the Homes remained almost constant.

4.4.6 In such circumstances, the care worker to service-user ratio changed from nearly one is to four in 2013 to around one is to five in 2014. The foregoing emphasizes the critical importance of improved economies of scale, as reflected through the pppn rate, arising through the more efficient utilisation of employees. Such considerations are rendered more important in view that labour costs constituted the most material expense incurred in the provision of these services. This implies that further economies of scale benefits can be reaped by the Homes if they are able to operate at a higher care worker to service-user ratio.

4.4.7 However, this review noted that local regulations, standards and/or guidelines are rather generic, particularly with respect to the details associated with the optimal number of care staff required at out-of-home residential care institutions. Over the years, the lack of a clearly established optimal care worker to service-user ratio has resulted in different staffing levels at the various out-of-home residential care institutions throughout Malta. These ranged from one care worker for every service-user to a ratio of one employee to ten residents.<sup>11</sup> However, within the context of this Report, the latter ratios must be interpreted in the light that they refer to a varying case-mix of service-users.

4.4.8 This level of care worker to service-users ratio was to a great extent replicated by Jeanne Antide and Fejda Homes. To this end, the Homes' Management contends that a care worker to service-users ratio of one is to five is considered as falling within the norm for out-of-home residential care sector, particularly in view of the specific needs of the residents at Jeanne Antide and Fejda Homes.

4.4.9 Nevertheless, the care worker to service-users ratio currently employed at the Homes is not supported by studies confirming that the Homes are operating at the optimal ratio to ensure that the specific needs of the residents are met. Moreover, *The Psychological, Behavioural and Academic Profile of Children in Out-Of-Home Care in Malta*, outlines that the most frequent ratio (mode) adopted locally is one is to six, implying that during 2014 the Homes under review were operating below this level. Furthermore, this audit came across documented standards utilised overseas with respect to out-of-home residential care for children.<sup>12</sup> These standards quote a minimum care worker to service-users ratio of one is to eight.

<sup>11</sup> Abela et al., 2012. *The Psychological, Behavioural and Academic Profile of Children in Out-Of-Home Care in Malta*, page 59.

<sup>12</sup> These studies include State of Alabama, Department of Human Resources, 2000. *Minimum Standards for Residential Child Care Facilities*, page 24.

4.4.10 This Section has illustrated that the care worker to service-users ratio is the primary influence on the pppn rate. Within this context, the NAO sought to determine the potential economic benefits arising from a higher care worker to service-users ratio, in this case one care worker for every eight residents.

4.4.11 A shift from the 2014 setup of one care worker for every five service-users, to a potential ratio of one is to eight, would imply that the same staff complement could cater for up to 32 residents. The financial benefits arising from this potential increase in resident capacity at the Homes are clearly evident even if assuming that a projected capital expenditure along the lines of the recent refurbishment project undertaken at Jeanne Antide Homes would be required. Table 13 refers.

**Table 13: Projected operational costs if capacity at the Homes is increased to 32 service-users**

	Situation as at 2014	Projected situations	
		Scenario 1 (based on direct proportionality of actual costs incurred in 2014)	Scenario 2 (based on staff complement at the Homes as at 2014)
Service-users (No.)	19	32	32
Care workers to service-users ratio	1:5	1:5	1:8
Wages (€)	491,878	828,426	491,878
Other Costs (€)	160,238	269,875	269,875
<b>Total</b>	<b>652,116</b>	<b>1,098,301</b>	<b>761,753</b>
<b>Cost per person per night (pppn)</b>	<b>94</b>	<b>94</b>	<b>65</b>

4.4.12 Table 13 shows that, a ratio of one care worker for every eight service-users would enable the operational costs to decrease from the €94 to around €65 pppn. This situation materialises when optimising economy of scale opportunities resulting when employing a ratio of one care worker to service-user ratio indicated in this paragraph.<sup>13</sup> Given the substantial operational savings resulting through a higher care worker to service-users ratio, any investment in this regard is recoverable within a relatively short period. Furthermore, as will be indicated hereunder, even within the Homes' current setup, the opportunity for further operational savings exists through optimising the deployment of staff. The initiatives discussed herein, if considered feasible, would be expected to decrease operational costs to the level of other residential care institutions, which are operating in the region of €50 pppn.

4.4.13 This Report has already raised the contentious issues relating to the parties' refurbishment and structural works responsibilities. Given the clearly favourable outcomes of investing to increase the Homes capacity, the opportunity exists for the parties to consider such a possibility. However, as contended earlier in this Report, this potential move to a higher care worker to service-users ratio needs to be based on detailed studies. Such studies would ensure that this potential operational ratio still guarantees that the specific needs of the service-users at these Homes are fully satisfied.

<sup>13</sup> This calculation assumes a fixed flat rate for every resident based on the actual operational costs incurred during 2014.

4.4.14 In addition to the aforementioned financial benefits, this review noted that potential efficiency savings already exist, even when assuming that the current policy of one care worker to around five service-users is adhered to. The present allocation of two care workers at any one time at each Home, does not reflect the Homes' varying needs throughout the day. For instance, as noted by the Homes' Management, more care staff is normally required during peak hours such as when the residents return from school or work, and vice versa outside peak hours. In turn, this impinges on the efficient deployment of the staff available at the Homes.

4.4.15 Other value for money considerations undertaken for the purpose of this review focused on the provision of hotel services, formal and informal therapeutic care, as well as corporate governance issues. However, due to a number of limitations associated primarily with the limited availability of benchmarks, the assessment below is to be interpreted as indicative rather than conclusive:

- i. Hotel services provided by the Homes, comprising mainly of accommodation, catering and cleaning services were estimated at around €19 pppn. This cost is considered reasonable when compared to the rates payable by Governmental entities for the provision of residential care for the elderly, which were estimated by the NAO at €36.72.<sup>14</sup> It is to be noted that the costs associated with the provision of these services by the Homes exclude the service-users' input to the cleaning and catering duties, which forms part of the necessary basic life-skills required for their development and independence.
- ii. The Homes expended €27,869 for psychological services provided through subcontracting. These figures imply an average hourly rate of around €34. Such a rate works out at significantly more than if a full time professional was employed by the Homes at Public Service remuneration rates. However, fulltime employment satisfies only the economic side of the argument. From an effectiveness point of view, such an arrangement may not prove fully practical as, for example, situations may arise where the in-house psychologist would not be in a position to provide the required services. Consequently, the average hourly rate paid by the Homes for the subcontracted services were compared to the fees charged by professionals working in the private sector. This exercise showed that the rates paid for these services by the Homes compare favourably to fees charged in the private sector.
- iii. The employment of care workers constitutes the highest line item of expenditure incurred by the Homes. The importance of the services provided by these members of staff mainly stems from the informal care imparted towards improving service-users' life-skills. To this effect the following refers:
  - a. The quality of the provision of 'informal care' by care workers can be considered against a background whereby around half of care workers have a minimum of a secondary level standard of education. Informal care provided by employees at these Homes may be effected since most staff do not attend therapy sessions as outlined in the relative job description (paragraphs 4.3.12 to 4.3.14 refers). While this audit acknowledges the input from care workers, as also contended by the BoM, in circumstances staff related concerns have to be mitigated through direct management intervention to ascertain the quality of service provision.

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<sup>14</sup> Report by the Auditor General (Malta), 2015. Performance Audit: *Provision of residential long-term care (LTC) for the elderly through contractual arrangements with the private sector*, page 84.

- b. The cost of care workers in 2014 worked out at an average of around €10.4 per hour. This is considered at par with remuneration offered for similar work within the Public Sector. However, this review estimated that informal care amounts to around 76 per cent of the Homes' total operational costs.<sup>15</sup> Since KPIs relating to the outputs and outcomes of residential care services provided are not available, and in the absence of comparative benchmarks any assessment made regarding the extent to which 'informal care' constitutes value for money would be a subjective rather than an objective opinion. The BoM acknowledged the absence of documented KPIs, however they contend that currently one of the residential home coordinators is undertaking research in this regard through a dissertation at Master's Degree level. Furthermore, the Homes' management provided various examples highlighting the positive outcomes attained by a number of service-users. Within this context, school absenteeism is decreasing, a number of residents are sitting for Ordinary Level examinations, while another two are gainfully occupied. Nevertheless, cognizance of positive outcomes remains dependent on the individual initiative of the Homes' management team, rather than through continuous monitoring and tracking of service-users' development - even following programme completion.
- iv. Management Letters drawn up by the Homes' external auditor point out issues, which might further improve the value for money of services provided by the Homes. Most of the issues referred in these documents emanate from corporate governance weaknesses, primarily related to the controls over expenditure, as referred to in Section 3.8.

## 4.5 Conclusions

- 4.5.1 This Chapter sought to evaluate the extent to which service delivery complied with the two Agreements regulating the operations at Jeanne Antide and Fejda Homes and the degree to which such services constituted value for money. In both cases, the review was hampered due to the inadequacy of contractual provisions and key performance indicators, as well as the sparse availability of comparative information.
- 4.5.2 Within this context, this Office reiterates that the inadequacy of contractual clauses hinders the Governmental entities party to these Agreements to be in an appropriate position to gauge, monitor and enforce provisions related to service delivery. Furthermore, the inability to fully determine whether service delivery is adequate or otherwise is not conducive to appropriately safeguarding the service-users' interests.
- 4.5.3 Contractual lacunae, coupled with the lack of regulations, standards and/or best-practice guidelines that specifically define the optimal staffing levels at out-of-home residential care institutions, resulted in different care worker to service-users ratios across such institutions in Malta. In view of the increasing demand for residential care and the recent refurbishment at Jeanne Antide Home, this review noted that the BoM has not fully exploited the opportunities associated with improved economies of scale. This is primarily attainable through the better utilisation of staff available at these Homes.

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<sup>15</sup> Informal Care = Total Operational Costs – Hotel Services Costs – Therapeutic Care Costs.

4.5.4 Nevertheless, attempts to evaluate the hotel and therapeutic care services delivered by the Homes revealed that, in general, these are financially favourably comparable with other residential care institutions. Furthermore, the aforementioned two services, that is, hotel and therapeutic care services are in line with the specific needs of these two Homes. The remaining 76 per cent of the total expenses incurred for the running of Jeanne Antide and Fejda Homes were related to the informal care aspect, that is, the essential life-skills required for independent living. However, in the absence of comparative benchmarks, as noted throughout this Report, any attempt to determine whether informal care constitutes value for money or otherwise would be a subjective rather than an objective evaluation.

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