

An Investigation of the 2015 Local Councils' Capital Projects Fund



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List of Abbreviations

AB	Appeals Board
AG	Auditor General
ANSEK	<i>Assoċjazzjoni Nazzjonali tas-Segretarji Eżekuttivi tal-Kunsilli Lokali u Reġjuni</i> ¹
BoQ	bill of quantities
DCS	Director Corporate Services
DLG	Department for Local Government
EAC	Evaluation and Adjudication Committee
LC	local council
LCA	Local Councils' Association
MEPA	Malta Environment and Planning Authority
MJCL	Ministry for Justice, Culture and Local Government
MP	Member of Parliament
NAO	National Audit Office
PAC	Public Accounts Committee
PPP	public-private partnership
PS LG	Parliamentary Secretary for Local Government

¹ National Association for Local Council and Regional Executive Secretaries

Executive Summary

Executive Summary

1. The Capital Projects Fund was launched on 5 January 2015 and was communicated to local councils (LCs) through the Ministry for Justice, Culture and Local Government (MJCL) Circular 2/2015. The Fund, amounting to €1,000,000, was intended to finance capital projects that added value to the social aspect of localities and addressed government priorities. Preference was to be given to projects sustained through alternative financing mechanisms that would serve to supplement central government funding, such as public-private partnerships, donations and sponsorships. Although not a determining factor, due consideration was to be given to projects contributing a financial return to the Fund in the future. The deadline for the submission of proposals was set for 30 January 2015. Further information about the Fund was provided at the information meetings organised on 8 January 2015.
2. The Minister MJCL appointed the Evaluation and Adjudication Committee (EAC) to assess the LCs' Capital Projects Fund applications. Following the submission deadline, the EAC met each LC individually for clarification on the applications submitted. The EAC assessed each project against pre-established criteria listed in MJCL Circular 2/2015. The results of the evaluation process were recorded in a report, dated 3 March 2015. Details of the selected projects, including the corresponding LC, a brief description, and funding recommendations for 2015, 2016 and 2017 were presented in the evaluation report.
3. The outcome of the evaluation process was announced at a press conference held on 6 March 2015. Commitment letters indicating the sum approved by the EAC for 2015 were distributed to the selected LCs. Later that day, LCs that had not secured funding for any of their submitted proposals were forwarded an email informing them of the selection outcome and of their right to appeal by 20 March 2015.
4. Subsequent to these developments, on 23 March 2015, a request for the investigation of the selection and appeals processes for the allocation of grants under the Local Councils' Capital Projects Fund was put forward to the National Audit Office (NAO). On 10 April 2015, the Auditor General informed Chair Public Accounts Committee of the terms of reference established for this investigation, which included the review of the application and selection process, the communication of results and the appeals procedure, as well as the appointment of the EAC and the Appeals Board (AB).

5. On a positive note, the NAO is of the opinion that the EAC was appropriately set up, through formal letters of appointment and clearly established terms of reference. Moreover, this Office noted that the composition of the EAC allowed for varied and comprehensive competencies, with the number of members on the Committee allowing for a more objective appraisal of proposals.
6. The deadline for the submission of applications was complied with by the participating LCs with respect to all 85 project proposals. Notwithstanding this, the NAO noted that the application submitted by a particular LC was devoid of the majority of information required; yet, it was deemed an eligible submission by the EAC. This concern was further accentuated by the fact that it was Chair EAC who informed this LC of the possibility to submit additional information at a later stage, beyond the stipulated deadline. The enforcement of a uniform submission deadline is essential in the equal treatment of all LCs, allowing each Council the same time in preparing its submission. Finally, this Office considers this point valid irrespective of the LC's failure to secure funding, especially when considering the limited time allowed for the submission of applications and the declined request for a deadline extension made by the *Assoçjazzjoni Nazzjonal tas-Segretarji Eżekuttivi tal-Kunsilli Lokali u Reġjuni* (ANSEK).²
7. The NAO noted that the information communicated to the LCs at pre-submission stage was at times ambiguous and deemed incomplete in relation to certain aspects of the selection process. In this sense, this Office's concern was drawn to the fact that there was no clear indication as to how funds were to be disbursed across projects, nor was any capping specified. Furthermore, the NAO deemed the importance attributed to the involvement of the private sector as ambiguous, while the implication of potential alternative sources of funding was not specified and subsequently inconsistently appraised. In addition, the supplementary supporting documentation required by the EAC was not specified at the initial stages of the process, resulting in limited time available to LCs to submit such information.
8. The NAO commends the organisation of information sessions, recognising this as a positive initiative to allow the LCs to clarify any queries. However, to mitigate any ambiguities and ensure that all LCs have access to the same complete information, the NAO recommends that, following the information sessions, a summary of the salient points is circulated.
9. During the individual clarification meetings, the LCs were allowed to submit further documentation and were encouraged by the EAC to make improvements to their proposals. The changes that were effected after the submission deadline were integrated in the submissions as if they were part of the original application, consequently bearing an impact on the evaluation and ranking of projects. The possibility of implementing changes at this late stage in the process allowed the EAC ample discretion, the extent of which the NAO was unable to determine due to the lack of documentation retained with respect to meetings held by the Committee with individual LCs. In this Office's opinion, the post-submission changes, lack of documentation of meetings held and discretion afforded to the EAC detracted from the fairness of the process. The process would have been more transparent and allowed for greater equality in the appraisal of projects had the EAC assessed the applications on the information submitted by the stipulated deadline. The NAO is of the opinion that good practice entails scheduling such clarification meetings and assisting interested LCs prior to the submission deadline.

² National Association for Local Council and Regional Executive Secretaries

10. This Office's attention was drawn to various issues of concern relating to the evaluation of the applications. Inconsistencies were noted in terms of the documentation deemed necessary by the EAC, with certain cases being penalised for not submitting supplementary documentation, while in other cases, funds were awarded despite the fact that similar documents were not made available. The NAO also noted an element of ambiguity in the interpretation of certain evaluation criteria, specifically with regard to the private sector involvement criterion. Here, projects were favourably scored for sourcing alternative public sector funding, which in this Office's opinion, cannot be classified as private sector involvement. Similarly ambiguous was the consideration of revenue from advertising and the payment to contractors by instalment as a form of private sector involvement. Another issue noted by the NAO related to deficiencies in the reliability of the scoring system employed, with projects bearing similar characteristics rated differently. This Office is of the opinion that this is partly symptomatic of the absence of a clear and systematic marking scheme, compounded by real differences between projects not captured in the documentation retained. The NAO is cognisant of the challenge presented to the EAC in the adjudication of widely divergent projects. In this respect, this Office is of the opinion that future schemes should be more narrowly focused, addressing specific priorities.
11. The evaluation criteria to be applied in the selection process were determined by the EAC and communicated to all LCs in the MJCL Circular 2/2015. The EAC subsequently decided on the weighting of each criterion prior to the submission deadline and the opening of applications. Each application was assessed against these criteria, and marks accordingly allocated. Projects that obtained at least 58 marks were selected for funding. This was adhered to in all cases except one. After having reviewed the merits of this case, the NAO is of the opinion that the justification cited by the EAC for its decision was reasonable.
12. In the evaluation report, the EAC proposed funding recommendations that totalled €1,000,000, €975,000 and €470,000 for 2015, 2016 and 2017, respectively. The NAO has two main concerns in this regard. While this Office acknowledges that capital projects require long-term financing, the intention to support projects beyond 2015 results in limitations to funding opportunities in 2016 and 2017. Moreover, this Office is of the opinion that the decision to commit funds for 2015 and merely recommend allocations for 2016 and 2017 allowed for a degree of uncertainty for the LCs with respect to the long-term financing of projects. The NAO is cognisant of the fact that government budgetary allocations are made on a year-by-year basis, hence impeding provisions for 2016 and 2017. This conditioned the EAC's ability to commit funds beyond 2015. In addition, while the selection of projects was adequately documented, the basis for the allocation of funds among such projects was not. The NAO maintains that the grants allocated, as a percentage of the amounts requested, were not determined by the marks assigned or any other systematic approach, but subjectively determined by the EAC following input by experts on the Committee.
13. On 6 March 2015, a press conference was organised to announce the selected projects. At this event, letters of commitment were distributed to the LCs that had secured funding. No reference was made to the adjudication result being subject to the outcome of an appeals process. The NAO noted that the LCs that had not attained funding were informed of this outcome and the possibility to appeal through an email sent a few hours after the press conference. In the NAO's opinion, these facts reflect poorly on the management of this stage of the process.

14. The criticism that the process was completed in haste was reflected in various stages of the process. The NAO noted that the time allowed for the submission of applications was limited, particularly in view of the emphasis placed on private sector collaboration and the attainment of alternative funding sources. Furthermore, the request for an extension of the submission deadline, put forward by ANSEK, was not accepted. The hurriedness of the process was also manifest in the time allowed for LCs to submit any proposal revisions or supplementary information following the individual clarification meetings, the limited advance notice for press conference attendance and the manner by which the results were communicated. The NAO maintains that the timeframes indicated a hurried rather than an efficient process, which negatively influenced the perceived and, to a certain extent, the actual fairness of the outcome.
15. The NAO acknowledges the introduction of the appeals process as a positive development. Moreover, the NAO commends the level of detail delved into by the AB, as presented in the decision letters, evident of the considerable effort and time expended by the AB in the execution of its functions. However, this Office noted several shortcomings that characterised the process. These included the EAC's failure to adequately inform all LCs of the appeals procedure following the conclusion of the selection process and the intended recipient of appeals lodged. Other shortcomings related to the distribution of letters of commitment prior to the conclusion of the appeals process and the limited information made available to the LCs, which constrained the effectiveness of the appeals lodged. The NAO noted that the AB narrowly interpreted its assigned terms of reference, solely reviewing the applications subject to appeal and refraining from addressing claims relating to other submissions that were granted funds.
16. The NAO noted that the AB allowed the submission of new documentation, significant alterations in terms of project details and changes in project scope at the appeals stage. This Office is of the understanding that such departures were not to be permitted and that applications were to be considered on information available at application stage. Shortcomings in this respect detracted from the fairness of the process, particularly when seen in the context of other projects that could have benefitted from funding following amendments at the appeals stage. Although the AB made reference to the criteria adopted by the EAC, the AB did not utilise the same marking system, which would have provided structure and comparability in assessments. This Office is of the opinion that the project appraisal carried out by the AB should have reflected the methodology utilised by the EAC, in order to allow for an appraisal of the original selection process, rather than a second alternative assessment. Other shortcomings could be partly attributable to the Fund's broad scope, with highly divergent projects being eligible for funding.
17. In sum, the NAO is of the opinion that the main shortcomings identified with respect to the 2015 LCs Capital Projects Fund may be traced back to the broad parameters established. Eligible projects varied widely in terms of their characteristics, aims, scope, financing mechanism and scale, yet were to be comparatively assessed by the EAC in order to determine the allocation of funds thereto. This context rendered inevitable the eventual discretion exercised by the EAC in the adjudication of highly divergent projects. Although certain shortcomings were inevitable, owing to the Fund's broad scope, the discretion exercised was further compounded by the EAC's inadequate management of the process. Specific reference is made to the possibility

afforded to the LCs to submit supplementary information or effect project changes post submission deadline, as well as the EAC's active role in this respect. The NAO contends that the AB should have solely considered appeals based on information made available to the EAC and adopted the same methodology utilised in the initial evaluation.

Chapter 1

Introduction

Chapter 1 – Introduction

1.1 Request for Investigation and Terms of Reference

- 1.1.1 On 23 March 2015, the Opposition Members of Parliament (MPs) on the Public Accounts Committee (PAC), together with two other Opposition MPs, namely the spokespersons for home affairs and national security, and local government, respectively, submitted a request for an investigation to the National Audit Office (NAO). In essence, the Auditor General (AG) was requested to investigate the selection process leading to the allocation of the Local Councils' Capital Projects Fund and to identify the officials responsible for the process' shortcomings in terms of transparency, good governance and fairness. The Capital Projects Fund stood at €1,000,000 in 2015 and was administered by the Ministry for Justice, Culture and Local Government (MJCL).
- 1.1.2 This request made reference to the press release issued by the *Assoċjazzjoni Nazzjonali tas-Segretarji Eżekuttivi tal-Kunsilli Lokali u Reġjuni* (ANSEK), wherein concerns regarding the selection process and allocation of the Capital Projects Fund were expressed. This press release was appended to the request made to the NAO.
- 1.1.3 The press release issued by ANSEK alleged that, despite having been assured of a transparent and just selection process, the actual procedure employed was fraught with issues and the fairness of the project selection was dubious. Reference was made to the short period of time that was allowed for the submission of applications, despite the expectation that local councils (LCs) were to attain an element of private sector involvement, which involvement was an integral part in the evaluation of projects. The fairness of the selection process was questioned, particularly in cases where different LCs submitted an application for identical projects and only one of these LCs secured funding. Moreover, despite being instructed to present large capital projects that could not be implemented using the ordinary financial allocation, it was noted that some of the projects chosen were small-scale, within the standard remit/competence of the LC, and lacked the private sector involvement element. The failure to publish a list of selected projects, the funds allocated and the reasons justifying such choices was highlighted by ANSEK as evidence of lack of transparency. Furthermore, ANSEK maintained that the rushed press conference announcing the selected projects and the failure to send a written invitation to all mayors and executive secretaries well in advance of this event was suspicious. The

validity of the appeals process was also questioned since the letters of commitment in respect of selected projects were presented during the press conference held on 6 March 2014, and therefore, prior to the initiation of the appeals process. Moreover, the LCs that failed to secure funding were informed that an appeal could be lodged within 10 days, but were not informed of where the appeal was to be lodged and to whom it should have been addressed.

1.1.4 On 10 April 2015, the AG informed Chair PAC of the terms of reference established for the investigation into the manner by which projects submitted by the LCs in 2015 for financing under the Capital Projects Fund were selected. These were:

- a. the review of the process whereby the LCs were requested to submit proposals to benefit from the capital fund allocated;
- b. an assessment of the manner by which the Selection Committee was appointed;
- c. an analysis of the evaluation reports compiled by the Selection Committee, with particular attention directed towards the application of established criteria;
- d. an appraisal of the selection process outcome, specifically focusing on how councils were informed of the result; and
- e. a review of the appointment of the Appeals Board (AB) and an examination of the appeals procedure.

1.1.5 The four Government MPs on the PAC submitted another request for investigation on 25 March 2015. In this respect, the NAO was requested to investigate the administration of various LC funding schemes launched during the previous legislature, that is, between 2008 and 2013. This second investigation is being reported on separately by the NAO.

1.2 Background

1.2.1 The Capital Projects Fund was launched on 5 January 2015, and communicated to the LCs through MJCL Circular 2/2015 issued by the Permanent Secretary MJCL. The Fund was intended to finance capital projects that added value to the social aspect of the locality and addressed government priorities. Preference was to be given to projects partly sustained through alternative financing mechanisms supplementing central government funding, such as public-private partnerships (PPPs), donations and sponsorships. Although not a determining factor, due consideration was to be given to projects contributing a financial return to the Fund in the future. The deadline for the submission of proposals was set for 30 January 2015. Further information about the Fund was provided at the information meetings organised on 8 January 2015, held in Nadur and Naxxar, and attended by members of the selection committee (hereinafter referred to as the Evaluation and Adjudication Committee (EAC)) and the Parliamentary Secretary for Local Government (PS LG).

1.2.2 The Minister MJCL appointed the EAC to assess the LCs' Capital Projects Fund applications. Following the submission deadline, the EAC met each LC individually for clarification on the applications submitted. The EAC assessed each project against pre-established criteria, listed in MJCL Circular 2/2015. The results of the evaluation process were recorded in a report dated 3 March 2015. Details of the selected projects, including the corresponding LC, a brief description, and funding recommendations for 2015, 2016 and 2017 were presented in the evaluation report.

- 1.2.3 The outcome of the evaluation process was announced at a press conference held on 6 March 2015. Commitment letters indicating the sum approved by the EAC for 2015 were distributed to the selected LCs. Later that day, the LCs that had not secured funding for any of their submitted proposals were forwarded an email informing them of the selection outcome and of their right to appeal by 20 March 2015.

1.3 Methodology

- 1.3.1 This investigation was conducted in accordance with Para 9(a) of the First Schedule of the Auditor General and National Audit Office Act, 1997 (XVI of 1997) and in terms of practices adopted by the NAO.
- 1.3.2 The NAO reviewed all documentation retained by the Department for Local Government (DLG) relating to the Capital Projects Fund, including MJCL Circular 2/2015, all the applications submitted by the LCs, the corresponding evaluation sheets drawn up by the EAC, the minutes of Committee meetings, the evaluation report and other correspondence relating to the process of appeal. Additional documentation was obtained from the AB, specifically, the records of appeals lodged and minutes of the Board's meetings.
- 1.3.3 Interviews with the Chair EAC, Chair AB, President ANSEK and President of the Local Councils' Association (LCA) were conducted under oath to supplement the NAO's understanding of the documentation obtained. All the interviews held were transcribed by the NAO and a copy submitted to the interviewee involved who was requested to, if required, submit clarifications and endorse the transcript. Public officers cited throughout the Report are referred to by their designation at the time reported on.
- 1.3.4 A detailed analysis of the evaluation sheets was undertaken to assess the consistency of the EAC in the interpretation of the eligibility criteria and the award of marks against these set criteria. A timeline of events was identified through the analysis of documentation. This was undertaken in order to establish whether the correct procedure was adhered to in the selection and appeals process.
- 1.3.5 The NAO's findings and conclusions are based on the evaluation of such documentation and information obtained. Any shortcomings or irregularities reported on and recommendations put forward are intended to ensure greater consistency, transparency and fairness in the selection and appeals processes of future DLG-managed schemes.
- 1.3.6 The findings of this report are presented in four chapters. An overview of the allegations made by ANSEK, the mandate to the NAO by the PAC, details of the Fund, and the methodology employed for this investigation were outlined in this first Chapter. Chapter 2 provides details of the application and adjudication process employed as well as details of all the applications submitted, including the corresponding LC, the nature of the project, whether the project was selected, as well as the amount requested and granted. Chapter 3 focuses on the analysis of the evaluation and selection process, thereby presenting any limitations identified by the NAO. This chapter also includes an assessment of the appeals process. Chapter 4 presents the NAO's conclusions and views as to whether the principles of good governance and transparency were adhered to. Recommendations with respect to the improvement of similar DLG selection processes are also indicated in this Chapter.

Chapter 2

Overview of the Selection and Appeals Processes

Chapter 2 – Overview of the Selection and Appeals Processes

2.1 The 2015 Capital Projects Fund: Its Purpose and Administration

Purpose, Launch and Administration

- 2.1.1 The Minister for Finance first announced the establishment of a fund for the LCs, intended for the implementation of local capital investment projects, in the 2015 Budget speech. On 5 January 2015, the Minister MJCL addressed a press conference and announced the launch of this Fund. For 2015, the fund allocated was €1,000,000, an amount that had to be disbursed within the financial year. The Minister MJCL also announced the setting up of a selection board to oversee the allocation of these funds. Subsequently, MJCL Circular 2/2015, dated 5 January 2015, was submitted to all the LCs, reiterating that stated in the press conference and providing further information with respect to the Fund. Furthermore, it outlined the Fund's objectives, eligibility parameters and details of the selection process, including the appointment of a selection board and the pre-established selection criteria to be employed. Capital projects that added value to the social aspect of the locality and addressed government priorities were eligible for funding. According to that stated in MJCL Circular 2/2015, projects at planning or implementation stage could obtain funding. Although not a determining factor, projects that were to contribute a financial return to the Fund in the future were to be given due consideration. LCs were encouraged to seek alternative financing mechanisms to supplement central government funding, such as PPPs, donations and sponsorships.
- 2.1.2 LCs were invited to submit detailed proposals for local capital projects by completing the standard application form, attached to MJCL Circular 2/2015, by the established deadline, that is, 30 January 2015. The project information requested included a description of the project, and an explanation of how the project would benefit the locality, address government measures and be sustainable. In addition, details of alternative funding avenues and insurance coverage, as well as the requested financial contribution from the Fund for 2015, 2016, 2017 and subsequent years were to be indicated. Finally, any envisaged future financial contribution to the Fund was to be specified.
- 2.1.3 The EAC was set up within the MJCL and tasked with the selection of projects that were to be funded. The selection of projects would necessitate that the LCs enter into a contractual agreement with the DLG, which contract would serve the purpose of regulating the financial contribution that was to be made to the Council. The factors

that were to be taken into consideration by the EAC in the selection of projects were specified in MJCL Circular 2/2015. These were:

- a. the added value of the project for the locality;
- b. the involvement of the private sector in the implementation of the capital project;
- c. the future financial contribution to the Fund;
- d. the government policy measures addressed by the project;
- e. the sustainability of the project; and
- f. the financial position of the LC.

2.1.4 The initial selection of projects was to be followed by a process of appeal, should the need arise. The circular acknowledged this possibility and indicated that any complaints raised would be referred to the AB, which at the time was being appointed.

2.1.5 The LCs were informed that the PS LG was to hold two information meetings, one in Naxxar and the other in Nadur, to which attendance (to either one) was required by the LC representatives. These meetings were to take place on 8 January 2015. No minutes of these meetings were made available to the NAO; however, the Chair EAC, who was in attendance, stated that these meetings were well attended and served as an opportunity for mayors and executive secretaries to clarify any queries and express their concerns regarding anticipated difficulties.

Selection Process

2.1.6 The EAC members were appointed by the Minister MJCL and were tasked with the evaluation and adjudication of the Capital Projects Fund applications. Formal correspondence to this effect was dated 5 January 2015. The appointed EAC members were:

- a. the Director of Corporate Services (DCS) MJCL, who was to act as Chair of the Committee;
- b. an Advisor to the MJCL, primarily on financial matters;
- c. the Director for Local Government;
- d. the Director for Culture Directorate;
- e. an architect, appointed to advise on plans and costings;
- f. the Assistant Director, Office of the Permanent Secretary MJCL, a lawyer by profession, who advised the Committee on legal matters and also acted as Secretary to the Committee; and
- g. a clerk MJCL, acting as Assistant Secretary to the Committee.

The Committee's specified terms of reference entailed the evaluation of capital projects as proposed by the LCs and the authorisation of corresponding financial allocations.

2.1.7 Despite the fact that the official appointment letter was dated 5 January 2015, the documented EAC meetings retained in the DLG files clearly indicate that the first meeting was held on 15 December 2014. The Chair EAC explained that prior to the Committee members' official appointment, the Permanent Secretary MJCL had pre-empted the Directors – the EAC members who held directorship positions within the public sector – about their role in the selection process, who in turn, given the limited timeframe, organised an introductory meeting. Notwithstanding the explanation provided, the NAO noted that according to the minutes, all Committee members were present for this meeting.

- 2.1.8 The records on file indicate that the EAC met nine times in total, with two of these meetings preceding the submission deadline. The minutes of these meetings were recorded and retained on file.
- 2.1.9 The EAC assessed each project against the pre-established criteria listed in MJCL Circular 2/2015. The weighting of the various factors, as illustrated in Table 1, was determined during the Committee meeting dated 21 January 2015. These weights were not communicated to the LCs. The evaluation of each project, which included qualitative comments and the allocated marks for each factor, was recorded on a separate evaluation sheet.

Table 1: Evaluation criterion/factor weights

Evaluation criterion/factor	Maximum marks
The added value of the project for the locality	30
The involvement of the private sector in the implementation of the capital project	15
The future financial contribution to the Fund	10
The government policy measures addressed by the project	15
The sustainability of the project	20
The financial position of the local council	10

- 2.1.10 Following the closing date for the submission of the project proposals, an individual clarification meeting was held with every LC that had submitted an application. All applicant LCs, except for the Rabat (G)³ LC, attended these meetings. The EAC utilised these meetings as an opportunity to obtain more information about the project. As indicated in the correspondence exchanged between the LCs and the EAC, some Councils were requested to submit more information following these meetings, such as the estimated costs of the proposed projects. If deemed necessary, amendments to the projects were discussed and implemented. The minutes of the EAC meeting dated 11 February 2015 indicate that the marking of each application form was carried out after the clarification meetings held with the LCs. Furthermore, minutes of the EAC meeting held on 16 February 2015 indicated that during these clarification meetings, the Committee sought additional project information. In this sense, emphasis was placed on identifying the added value to the locality and the private sector involvement in these initiatives.
- 2.1.11 The EAC compiled an evaluation report on 3 March 2015, and submitted it to the Minister MJCL, the PS LG and the Permanent Secretary MJCL. The EAC report provided an overview of the launch of the Fund, specifically highlighting the details outlined in MJCL Circular 2/2015 and the two information meetings organised thereafter. Other information in the EAC report included aggregate data regarding the submissions, wherein it was indicated that 57 LCs had submitted 85 proposals. Reference was made to the clarification meetings held with LC representatives on an individual basis on three separate days following the submission of and deadline for applications. The EAC report stated that all LCs had attended these individual meetings except for the Rabat (G) LC. A list of the 30 projects, pertaining to 29 LCs, chosen for financing was included in the EAC report. Aside from the funds committed for 2015 (which amounted to €1,000,000), the EAC report also recommended the allocation of €975,000 and €470,000 to these same projects with regard to 2016 and 2017, respectively.

³ (G) indicates a locality in Gozo.

2.1.12 Finally, the EAC presented a number of recommendations, namely:

- a. the confirmation of the Capital Projects Fund for 2016 and an increase in its funding to at least €1,500,000;
- b. that Government considers assuming responsibility for the funding of projects whose budget exceeded that allocated under this Fund;
- c. the implementation of an educational campaign by the DLG, among LCs, to promote PPPs for local projects;
- d. that the DLG inform LCs of other available funding opportunities; and
- e. that collaboration between different administrative committees and LCs be further supported.

Circulation of Results

2.1.13 A press conference was held on 6 March 2015, during which the Minister MJCL and Chair EAC announced that 30 projects had been selected to benefit from the Capital Projects Fund. In addition, on 6 March 2015, a commitment letter – indicating the selected project and the funding approved by the EAC for 2015 – was distributed to each LC that had at least one of its submitted proposals selected for financing. This correspondence indicated that, in the days following the receipt of this commitment letter, the LC was to be contacted by the EAC to schedule a meeting to discuss project implementation and financing for future years, if necessary, and to sign a contract formalising the Council’s agreement with Government.

2.1.14 On the same day, the LCs that had not secured funding for any of their submitted proposals were forwarded an email informing them of this outcome. The breadth of project proposals submitted and the limited funding available were highlighted. The LCs were encouraged to continue working on improving the project proposal by exploring the possibility of private sector investment, devising a more sustainable project, and aligning their project with the pre-established evaluation criteria specified in MJCL Circular 2/2015. The LCs were notified of their right to appeal this decision and were assured that the members of the AB would be independent of the EAC.

Appeals Process

2.1.15 The possibility of lodging an appeal following the selection process had first been communicated in writing to all LCs on 5 January 2015, by means of MJCL Circular 2/2015, and again indicated in subsequent correspondence sent to the LCs that had not secured funding, dated 6 March 2015. In this latter correspondence, the LCs were notified that appeals were to be lodged by 20 March 2015; however, the NAO noted that no details were provided with respect to where such appeals were to be lodged.

2.1.16 In the interim, the three members of the AB were appointed by the Minister MJCL and were officially informed of this appointment through correspondence dated 18 February 2015. The terms of reference set to the Chair AB and the two other members of the Board entailed the hearing of any appeals lodged by the LCs in relation to the conclusions of the EAC with respect to the Local Councils’ Capital Projects Fund. The decision of the AB would be final. On 26 February 2015, the Chair AB resigned citing personal reasons. Correspondence between the DCS MJCL and the Chair AB indicated that a possible conflict of interest, due to the Chair’s other duties as legal representative of one of the LCs, led to this amicable understanding. On 2 March 2015, an alternative Chair AB was appointed.

- 2.1.17 In total, ten Councils submitted an appeal, these being the Attard, Birkirkara, Floriana, Għasri, Lija, Naxxar, Pietà, Qrendi, Swieqi and Ta' Xbiex LCs. The letter of appeal sent by the Attard LC, though dated 18 March 2015, was received by the DCS MJCL on 23 March 2015, that is, after the established deadline for the submission of appeals, which was set at 20 March 2015. The appeal lodged by the Attard LC was deemed ineligible in view of the fact that it was received beyond the stipulated deadline for submission.
- 2.1.18 The Birkirkara LC was the only Council with successful and unsuccessful applications that submitted an appeal. In the case of its successful bid, the Birkirkara LC appealed the amount awarded, requesting a higher contribution. The other LCs did not succeed in obtaining funds for any of their submitted applications. Some of the appeals lodged simply indicated an objection to the fact that funds had not been allocated for the project, and included claims that the project put forward was worthy of financing, which claims were not substantiated with any other information. Other LCs presented arguments supporting their claim for funding, outlining how their project fulfilled the criteria established by the EAC, and explaining the importance of the project to the locality.
- 2.1.19 Despite the limited information made publicly available regarding the selected projects, a number of LCs did draw comparisons to the successful applications when submitting their appeals, basing their claims on information stated in the media. The Għasri, Qrendi, Swieqi and Ta' Xbiex LCs made reference to similar projects submitted by other LCs that had received funding, whereas theirs had not. In other cases, such as in the appeals lodged by the Ta' Xbiex, Pietà, Swieqi and Naxxar LCs, the Councils questioned the selection of projects that, in their opinion, did not fulfil the requirements communicated in the information sessions and were less deserving of financing than their projects. In this respect, the Pietà and Ta' Xbiex LCs commented that their Council could have submitted applications for similar initiatives, but had proposed more ambitious capital projects to fulfil the criteria communicated by the EAC. Furthermore, in view of the limited funds available, the Swieqi LC criticised the EAC's decision to fund two projects submitted by the same LC.
- 2.1.20 Besides specific complaints relating to particular projects, the process was more generally criticised by the appellants for:
- a. not being transparent;
 - b. the lack of clarity with respect to the deadline for the submission of additional information following the clarification meeting;
 - c. the way in which the results were communicated, with some LCs first learning they had not obtained funding through the media;
 - d. the fact that a list of the selected projects, including details of the proposal and the amount committed, was not published;
 - e. the issuance of commitment letters prior to the conclusion of the appeals process; and
 - f. the general haste of the process.
- 2.1.21 According to information submitted to the NAO by the Chair AB on 31 May 2016, the AB met 13 times between 27 May 2015 and 29 April 2016. The brief minutes kept with respect to these meetings indicated that, on 9 June 2015, on request of the AB, the Board met with the Chair EAC to familiarise with the evaluation and selection process and better understand the details relating to the cases for which an appeal had been lodged. The AB met with every LC that had submitted an appeal, with the

exception of the Attard LC since, as indicated earlier, its appeal was received late. By 15 July 2015, the nine appellant LCs had presented their case to the AB. On 15 July 2015, the AB again met with the Chair EAC, who provided the Board with full access to all the documentation retained in file relating to the cases under review. Over the next four meetings, the AB discussed the appeals and came to a decision on whether to uphold or reject the EAC decision for each application subject to appeal. The AB signed the decision letters, which were later forwarded to the appellant LCs, on 29 April 2016. In its decision letters – written in the format of reports specific to each appellant LC – the AB presented details of the original application, factors documented by the EAC in the evaluation report, as well as the arguments presented by the LC in its meeting with the AB. These considerations helped the AB formulate its final decision on whether to uphold or overrule the EAC decision.

2.2 Submitted and Selected Applications

2.2.1 The 85 applications submitted for funding varied widely in terms of project scope, envisaged benefit to the locality, project cost, funding requested, project sustainability, as well as in terms of the level and breadth of different stakeholders involved in project funding and implementation. A list of all applications submitted is reproduced in Table 2, including a title of the project, the respective LC and funds requested. Also indicated is an NAO reference number that is cited throughout the report when referring to specific project submissions.

Table 2: List of submitted applications

NAO Ref.	Project	LC	Funds Requested 2015 (€)	Funds Requested 2016+ (€)
1	Restoration of embankment, railway line and railway station building and landscaping of the surrounding garden	Attard	50,000	570,000
2	Civic centre construction project	Balzan	-	-
3	Restoration of train cabin and station within <i>Ġnien tal-Istazzjon</i>	Birkirkara	125,000	125,000
4	Upgrading of public convenience	Birkirkara	10,800	40,320
5	Installation of a new lighting system for Pretty Bay	Birżebbuġa	-	40,306
6	Rehabilitation of a local sports complex	Bormla	60,000	95,000
7	Finishing and furnishing works - civic centre construction project	Fgura	300,000	190,795
8	Embellishment of <i>Vjal Re Dwardu VII</i>	Floriana	216,000	-
9	Embellishment of <i>Ġnien Herbert Ganado</i>	Floriana	200,000	-
10	Construction of a train monument	Floriana	100,000	-
11	Civic centre construction project	Fontana	25,000	75,000
12	Road resurfacing and embellishment works in <i>Triq Għar Gerduf</i>	Fontana	35,000	-
13	Road resurfacing works	Għajnsielem	50,000	40,000
14	Road resurfacing works	Għarb	276,169 ¹	
15	Solar panel farm	Għarb	133,333	-
16	Construction of a night shelter for the elderly	Għarb	100,000	-
17	Road resurfacing works	Għasri	100,000	200,000
18	Road resurfacing works and installation of rain water culverts	Gudja	16,500	-
19	Civic centre construction project	Gudja	10,000	640,000
20	Upgrading of public convenience	Hamrun	12,200	48,000

21	Development of a multi-purpose pitch and car park project	Iklin	-	-
22	Reconfiguration of the space, paving and embellishment of <i>Misraħ l-4 ta' Settembru</i>	Isla	40,000	63,333
23	Restoration of Fort St Michael Watch Tower and installation of lighting system	Isla	62,037	93,055
24	Building of modular three-storey car park at <i>Maċina</i> Car Park	Isla	-	400,000 - 500,000 ²
25	Kalkara Transit Project	Kalkara	202,960	5,356,289
26	Road resurfacing works	Kerċem	45,559	-
27	Restoration of underground tunnels in Santa Luċija	Kerċem ³	6,000	-
28	Installation of free Wi-Fi	Kirkop	-	-
29	Embellishment of <i>Villa Francia</i> area	Lija	72,576 ⁴	
30	Civic centre construction project	Lija	50,000 ⁵	
31	Restoration of <i>Torri Belvedere</i>	Lija	104,600	-
32	Embellishment of playground area near <i>Misraħ iz-Żgħażaġħ</i>	Luqa	74,592	74,592
33	Road resurfacing works	Marsa	94,625	-
34	Civic centre construction project	Marsascalea	50,000	100,000
35	Development of an abandoned building into a classroom and community hall	Marsaxlokk	-	70,000
36	Development of a parking space	Mdina	120,000	-
37	Paving works	Mellieħa	260,000	-
38	Development of a public garden	Mellieħa	100,000	340,000
39	Construction of an indigenous plants and trees nursery in the tal- <i>Faċċol</i> site	Mġarr	7,000	2,900
40	Restoration of <i>tat-Tarġa</i> Battery and surrounding grounds and its development into a family park and an educational centre for masonry conservation and sustainable refurbishment	Mosta	500,000	870,000
41	Replacement of lift in civic centre	Mosta	30,000	-
42	Renovation of local playing field	Mqabba	60,000	20,000
43	Construction of an additional water reservoir	Mqabba	-	1,100,000
44	Civic centre construction project	Mqabba	-	938,000
45	Pedestrianisation and embellishment of the village square	Munxar	500,000	100,000
46	Pedestrianisation and embellishment of the village square	Nadur	107,889	-
47	Construction of a community hall	Naxxar	174,907 ⁶	-
48	Renovation of <i>Ġnien Wied Blandun</i>	Paola	150,000	60,000
49	Road resurfacing works and installation of rain water culverts	Pembroke	300,000	-
50	Rehabilitation of gardens in <i>Triq l-Imħallef William Harding</i>	Pembroke	150,000	200,000
51	Construction of a plants nursery in <i>Triq Burma</i>	Pembroke	30,000	-
52	Reconfiguration and embellishment of the space in front of the entrance of the former St Luke's Hospital	Pietà	125,000	375,000
53	Rehabilitation and embellishment of the village core	Qala	80,000	160,000
54	Installation of Belisha beacons near pedestrian crossings	Qormi	55,736	37,156
55	Implementation of an eco bikes system	Qormi	54,200	-
56	Construction of a sports complex	Qormi	171,200	256,800
57	Construction of a night shelter for the elderly	Qormi	15,000	350,000

58	Civic centre construction project and upgrade of surrounding area	Qrendi	100,000	300,000
59	Construction of a two-storey modular car park	Rabat (G)	-	700,000 - 800,000 ⁷
60	Development of a recreational space for families	Safi	12,000	10,000
61	Construction of IT room within civic centre	Safi	25,000	35,000
62	Road resurfacing, embellishment and infrastructural work in <i>Triq il-Mensija</i>	San Ġwann	75,000	150,000
63	Upgrade of child care centre	San Lawrenz	20,000	30,000
64	Installation of water culverts in <i>Triq Gruwa</i>	Sannat	40,000	-
65	Road resurfacing works	Sannat	90,000	-
66	Archaeology survey project	Sannat and Xewkija	76,000	-
67	Civic centre construction project	Santa Venera	-	735,183
68	Reconstruction of local playground	Sigġiewi	33,333	66,666
69	Park and ride project – construction of parking space and infrastructure for ferry service	Sliema	-	-
70	Finishing and furnishing works - civic centre construction project	St Paul's Bay	36,000	12,000
71	Road resurfacing works	Swieqi	50,000	400,000
72	Extension of building in public garden in <i>Triq il-Hemel</i> to include offices for sports clubs	Swieqi	30,000	30,000
73	Park and ride project – development of parking space and infrastructure for a ferry or road transport service	Ta' Xbiex	-	-
74	Installation of solar panels in housing estate	Ta' Xbiex	35,000	35,000
75	Construction of a home for the elderly, including an underground parking space	Ta' Xbiex	Land ⁸	60,000
76	Development of a parking space at the Ditch and the installation of a lift to link this area to the pedestrian zone in the centre of Valletta	Valletta	30,000	-
77	Road resurfacing work and infrastructural work in <i>Triq Marsalforn</i>	Xagħra	60,000	120,000
78	Installation of a lift to make public convenience accessible	Xewkija	26,000	-
79	Finishing works on multipurpose hall and sports complex project	Xgħajra	70,000	190,000
80	Civic centre construction project	Żabbar	-	239,300
81	Construction of an outdoor gym	Żebbuġ (G)	20,000	-
82	Rehabilitation of <i>Ġnien l-Infetti</i>	Żebbuġ (M) ⁹	100,000 ¹⁰	
83	Installation of a new lighting system in <i>Vjal il-Helsien</i>	Żebbuġ (M)	52,542 ¹¹	
84	Installation of solar panels on local council property and the upgrade of local playing field equipment	Żejtun	70,000	-
85	Construction of community hall and storage space	Żurrieq	150,000	300,000

Notes:

1. The year for which funds were applied for was not specified.
2. The Isla LC requested a share of the project cost, which was estimated at €400,000 to €500,000.
3. The application by the Kerċem LC was submitted on behalf of the Santa Luċija Administrative Committee.
4. The year for which funds were applied for was not specified.
5. The year for which funds were applied for was not specified.
6. The Naxxar LC claimed that it could contribute a small percentage of this amount.
7. The Rabat (G) LC requested a share of the project cost, which was estimated at €700,000 to €800,000.
8. The Ta' Xbiex LC requested the allocation of land by the Government Property Department.
9. (M) denotes a locality in Malta.
10. The year for which funds were applied for was not specified.
11. The year for which funds were applied for was not specified.

2.2.2 The NAO classified each application according to a number of broad categories, namely:

- a. car park development;
- b. civic centre construction;
- c. development of infrastructure for alternative transportation;
- d. embellishment works;
- e. installation of lighting system;
- f. lift installation;
- g. other construction projects;
- h. plant nursery development;
- i. public convenience upgrade;
- j. restoration of landmark;
- k. road construction works;
- l. solar panel installation;
- m. sports facility or recreational space development;
- n. sports facility or recreational space upgrade; and
- o. other.

2.2.3 While the NAO acknowledges that this categorisation may not capture the specific details associated with each project, this broad aggregation does serve the purpose of summarising and grouping initiatives bearing marked similarities. Projects that could be listed under multiple categories were classified according to the more prominent or more costly element of the project. For example, in the case of the Qrendi LC submission (NAO Ref. 58), the proposed construction of a civic centre corresponded to the 'Civic centre construction' category, while the upgrading of the surrounding area (another aspect of this project) corresponded to the 'Embellishment works' category. In this case, the NAO classified this project as 'Civic centre construction', as this aspect of the project represented the greatest materiality.

2.2.4 Table 3 provides a classification of the 85 submitted applications, categorised according to project type and selection process outcome. In the ensuing paragraphs, a short description of the projects submitted and selected within each category is presented. As outlined previously, projects having the same intended outcome may still vary greatly, particularly in terms of their scope, cost, private sector involvement, alternative funding mechanism and intended future contribution to the Fund. Therefore, this overview merely serves to provide elements of detail of the projects submitted and selected, and not to explain, justify or query the choice of one project over another. The analysis of the selection process is presented in Chapter 3.

Table 3: Applications by project type

Project type	Projects selected	Projects not selected	Total projects
Sports facility or recreational space upgrade	6	2	8
Road construction works	5	14	19
Civic centre construction	3	8	11
Other construction projects	3	6	9
Other	2	4	6
Lift installation	2	0	2
Public convenience upgrade	2	0	2
Restoration of landmark	1	6	7
Sports facility or recreational space development	1	5	6
Car park development	1	3	4
Solar panel installation	1	2	3
Development of infrastructure for alternative transportation	1	1	2
Installation of lighting system	1	1	2
Plant nursery development	1	1	2
Embellishment works	0	2	2
Total	30	55	85

- 2.2.5** The applications classified as ‘Sports facility or recreational space upgrade’ included rehabilitation and embellishment projects for four gardens, three playgrounds and one sports complex. Only two projects in this category, submitted by the Floriana LC (NAO Ref. 9) and the Pembroke LC (NAO Ref. 50), relating to the rehabilitation and embellishment of gardens, were not selected for funding.
- 2.2.6** The NAO classified six construction projects under the ‘Sports facility or recreational space development’ category. These projects consisted of the development of a public garden, an outdoor gym, a sports complex, another sports complex together with a multipurpose hall, an open recreational space, as well as a multi-purpose pitch and car park. From this category, the Xgħajra LC application (NAO Ref. 79) for the completion of a multipurpose hall and sports complex project was the only application that secured funding.
- 2.2.7** The 14 unsuccessful ‘Road construction works’ applications included proposals for road resurfacing and infrastructural works, embellishment works and the installation of water culverts. The applications that secured funding were the Isla LC submission for the reconfiguration, paving and embellishment of the main square (NAO Ref. 22), the Nadur LC submission for the pedestrianisation and embellishment of the village square (NAO Ref. 46), the Gudja LC submission for road resurfacing works and the installation of water culverts (NAO Ref. 18), the Marsa LC submission for road resurfacing works (NAO Ref. 33) and the Xgħajra LC submission for the reconstruction of a major road (NAO Ref. 77).

- 2.2.8 Eleven LCs submitted proposals for 'Civic centre construction' projects, of which three obtained funding, namely, the Fgura LC, Marsascala LC and St Paul's Bay LC (NAO Ref. 7, 34 & 70). Out of the eleven submissions, the Fgura LC and St Paul's Bay LC applications were the only projects that were at an advanced stage of implementation, and both requested funding for the finishing and furnishing of the building. The Marsascala LC project for the construction of a building to house the Council's administrative offices and other service providers was at an advanced planning stage, with the devolution of public land, architect's plans, Malta Environment and Planning Authority (MEPA) permits and detailed cost estimates already obtained.
- 2.2.9 The nine proposed 'Other construction' projects included submissions for the construction of a night shelter for the elderly, a community hall, a home for the elderly with underground parking, a water reservoir, an educational centre, as well as the extension of a LC building to house the offices of local sports clubs. The three projects chosen for funding were the Marsaxlokk LC proposal for the development of an abandoned building into a classroom and community hall (NAO Ref. 35), the Safi LC proposal for the construction of an IT room within its civic centre (NAO Ref. 61) and the Żurrieq LC proposal for the construction of a community hall and storage space (NAO Ref. 85).
- 2.2.10 Only one of the seven submissions categorised by the NAO as 'Restoration of landmark' received funding. This was the proposal put forward by the Kerċem LC on behalf of the Santa Luċija Administrative Committee, for the restoration of underground tunnels and infrastructural work to enable public access to these tunnels (NAO Ref. 27). Examples of the unsuccessful projects were the restoration of a watch tower and a large-scale infrastructural project including the rehabilitation of the village centre and waterfront as well as the development of infrastructure for a port ferry service. Another unsuccessful project entailed the restoration of a battery and surrounding areas together with its development into an educational centre and family park.
- 2.2.11 Similarly, out of the four 'Car park development' applications, put forward by the Isla LC, Mdina LC, Rabat (G) LC and Valletta LC (NAO Ref. 24, 36, 59 & 76), only one was selected for funding by the EAC. The selected project was that submitted by the Valletta LC, which entailed the development of a parking space at the Ditch and the installation of a lift to link this parking area to the pedestrian zone in the centre of Valletta.
- 2.2.12 The Ta' Xbiex LC (NAO Ref. 73) and Sliema LC (NAO Ref. 69) forwarded applications for a park and ride project, classified as 'Development of infrastructure for alternative transportation', for which only the Sliema LC obtained funding. Both LCs identified Manoel Island as the site for the car park, and while the Ta' Xbiex LC was open to road and land transportation, the Sliema LC emphasised the use of a ferry service and provided details regarding the infrastructural work required.
- 2.2.13 Three submissions were classified as 'Solar panel installation' projects. In this context, the Għarb LC proposed the development of a solar panel farm (NAO Ref. 15), the Ta' Xbiex LC proposed the installation of photovoltaic panels on social housing property (intended for the benefit of the property's residents) (NAO Ref. 74) and the Żejtun LC proposed the installation of solar panels on LC property to generate income for a PPP project relating to the rehabilitation of a playground and public gardens (NAO Ref. 84). The Żejtun LC proposal was the only submission in this category selected for funding by the EAC.

- 2.2.14 Out of the two submissions for the 'Installation of a new lighting system', forwarded by the Żebbuġ Malta LC (NAO Ref. 83) and Birżebbuġa LC (NAO Ref. 5), only the latter submission secured funding.
- 2.2.15 Both 'Public convenience upgrade' submissions, put forward by the Birkirkara LC (NAO Ref. 4) and the Ħamrun LC (NAO Ref. 20), were selected for funding. While the Birkirkara project involved the renovation of existing facilities, the Ħamrun project included the demolition of existing facilities and the construction of a two-storey building. Similarly, both 'Lift installation' applications were selected by the EAC for funding. These corresponded to the Mosta LC application for the replacement of an old lift in the civic centre, which was incurring high maintenance and repair costs (NAO Ref. 41), and the Xewkija LC application (NAO Ref. 78) for the installation of a lift to render the public convenience situated in the locality more accessible. On the other hand, the applications submitted by Floriana LC (NAO Ref. 8) and the Lija LC (NAO Ref. 29) for 'Embellishment works' were not selected.
- 2.2.16 The Pembroke LC (NAO Ref. 51) and the Mġarr LC (NAO Ref. 39) presented plans for the development of a plant nursery; however, only the Mġarr LC obtained funding. The Pembroke LC project entailed the development of a nursery to cultivate trees and plants, with the intention of growing plants required for landscaping other areas of the town and of offering an educational and environmental initiative for children. The Mġarr LC project aimed to cultivate indigenous trees and plants intended for planting across the locality, while also expressing the possibility of generating proceeds through donations received from the general public. This project also included a social aspect, aiming to integrate children, elderly and persons with disability in the operational management of the nursery.
- 2.2.17 Individual projects that could not be grouped with at least one other similar project were coded as 'Other'. This category comprised the following six projects:
- a. the upgrade of a child care centre;
 - b. the construction of a monument;
 - c. the installation of free Wi-Fi;
 - d. an archaeological survey;
 - e. the installation of Belisha beacons near pedestrian crossings; and
 - f. the implementation of an eco-bike system.

The last two projects listed, both submitted by the Qormi LC (NAO Ref. 54 & 55), were the ones chosen by the EAC for funding from this category.

- 2.2.18 Table 4 presents the number of applications submitted as well as those selected for funding, categorised according to LC. In total, 57 LCs submitted at least one application. The highest number of applications was submitted by the Qormi LC, which put forward four proposals. Seven LCs submitted three proposals, and nine LCs submitted two applications. One of the applications was submitted jointly by the Sannat LC and Xewkija LC, while the Kerċem LC submitted one application in its name and another on behalf of the Santa Lucija Administrative Committee. The 30 projects selected by the EAC for funding from the Capital Projects Fund pertained to 29 different LCs. Of the LCs that secured funding, the Qormi LC was the only Council that obtained funding for multiple projects, more precisely, two projects.

Table 4: Applications submitted and applications funded, by LC

LC	Applications submitted	Applications funded	LC	Applications submitted	Applications funded
Attard	1	0	Nadur	1	1
Balzan	1	0	Naxxar	1	0
Birkirkara	2	1	Paola	1	1
Birżebbuġa	1	1	Pembroke	3	0
Bormla	1	1	Pietà	1	0
Fgura	1	1	Qala	1	0
Floriana	3	0	Qormi	4	2
Fontana	2	0	Qrendi	1	0
Għajnsielem	1	0	Rabat (G)	1	0
Għarb	3	0	Safi	2	1
Għasri	1	0	San Ġwann	1	0
Gudja	2	1	San Lawrenz	1	0
Hamrun	1	1	Sannat	2	0
Iklin	1	0	Sannat and Xewkija	1	0
Isla	3	1	Santa Venera	1	0
Kalkara	1	0	Siġġiewi	1	1
Kerċem	1	0	Sliema	1	1
Kerċem ¹	1	1	St Paul's Bay	1	1
Kirkop	1	0	Swieqi	2	0
Lija	3	0	Ta' Xbiex	3	0
Luqa	1	1	Valletta	1	1
Marsa	1	1	Xagħra	1	1
Marsascala	1	1	Xewkija	1	1
Marsaxlokk	1	1	Xgħajra	1	1
Mdina	1	0	Żabbar	1	0
Mellieħa	2	0	Żebbuġ (G)	1	0
Mġarr	1	1	Żebbuġ (M)	2	1
Mosta	2	1	Żejtun	1	1
Mqabba	3	1	Żurrieq	1	1
Munxar	1	0	Total	85	30

Note:

1.The application by the Kerċem LC was submitted on behalf of the Santa Luċija Administrative Committee.

2.3 Distribution of Funds

2.3.1 The distribution of funds committed for 2015 and the recommended allocation for 2016 and 2017 across applications submitted, as determined in the EAC report dated 3 March 2015, are presented in Table 5. Other details presented herein include the NAO reference number corresponding to each application, the LC submitting the proposal, the requested funding and the marks awarded by the EAC as specified in the evaluation sheet.

Table 5: Overview of all applications submitted

NAO Ref.	LC	Mark	Funds requested 2015 (€)	Funds requested 2016+ (€)	Funds committed 2015 (€)	Funds recommended 2016 & 2017 (€)
1	Attard	31	50,000	570,000	-	-
2	Balzan	24	-	-	-	-
3	Birkirkara	45	125,000	125,000	-	-
4	Birkirkara	59	10,800	40,320	10,000	25,000
5	Birżebbuġa	76	-	40,306	0	40,000
6	Bormla	83	60,000	95,000	55,000	90,000
7	Fgura	87	300,000	190,795	100,000	200,000
8	Floriana	56	216,000	-	-	-
9	Floriana	56	200,000	-	-	-
10	Floriana	16	100,000	-	-	-
11	Fontana	10	25,000	75,000	-	-
12	Fontana	40	35,000	-	-	-
13	Għajnsielem	28	50,000	40,000	-	-
14	Għarb	33	276,169 ¹		-	-
15	Għarb	55	133,333	-	-	-
16	Għarb	53	100,000	-	-	-
17	Għasri	35	100,000	200,000	-	-
18	Gudja	58	16,500	-	15,000	-
19	Gudja	53	10,000	640,000	-	-
20	Ħamrun	58	12,200	48,000	10,000	35,000
21	Iklin	40	-	-	-	-
22	Isla	78	40,000	63,333	35,000	50,000
23	Isla	57	62,037	93,055	-	-
24	Isla	57	-	400,000 - 500,000 ²	-	-
25	Kalkara	48	202,960	5,356,289	-	-
26	Kerċem	42	45,559	-	-	-
27	Kerċem ³	70	6,000+	-	6,000	-
28	Kirkop	7	-	-	-	-
29	Lija	39	72,576 ¹		-	-
30	Lija	4	50,000 ¹		-	-
31	Lija	55	104,600	-	-	-
32	Luqa	79	74,592	74,592	65,000	70,000
33	Marsa	58	94,625	-	50,000	-
34	Marsascula	75	50,000	100,000	50,000	100,000
35	Marsaxlokk	87	-	70,000	10,000	50,000
36	Mdina	1	120,000	-	-	-
37	Mellieħa	40	260,000	-	-	-
38	Mellieħa	30	100,000	340,000	-	-
39	Mġarr	84	7,000	2,900	7,000	-
40	Mosta	56	500,000	870,000	-	-
41	Mosta	61	30,000	-	25,000	-
42	Mqabba	66	60,000	20,000	30,000	20,000
43	Mqabba	1	-	1,100,000	-	-
44	Mqabba	1	-	938,000	-	-

45	Munxar	9	500,000	100,000		
46	Nadur	61	107,889		40,000	90,000
47	Naxxar	29	174,907 ⁴			
48	Paola	83	150,000	60,000	50,000	50,000
49	Pembroke	40	300,000			
50	Pembroke	40	150,000	200,000		
51	Pembroke	36	30,000			
52	Pietà	39	125,000	375,000		
53	Qala	44	80,000	160,000		
54	Qormi	62	55,736	37,156	20,000	20,000
55	Qormi	76	54,200		27,000	20,000
56	Qormi	1	171,200	256,800		
57	Qormi	36	15,000	350,000		
58	Qrendi	38	100,000	300,000		
59	Rabat (G)	1		700,000 - 800,000 ⁵		
60	Safi	51	12,000	10,000		
61	Safi	82	25,000	35,000	15,000	30,000
62	San Ġwann	23	75,000	150,000		
63	San Lawrenz	41	20,000	30,000		
64	Sannat	1	40,000			
65	Sannat	36	90,000			
66	Sannat & Xewkija	0	76,000			
67	Santa Venera	35		735,183		
68	Sigġiewi	75	33,333	66,666	30,000	60,000
69	Sliema	78			15,000	
70	St Paul's Bay	58	36,000	12,000	10,000	25,000
71	Swieqi	39	50,000	400,000		
72	Swieqi	49	30,000	30,000		
73	Ta' Xbiex	81				
74	Ta' Xbiex	49	35,000	35,000		
75	Ta' Xbiex	9	Land	60,000		
76	Valletta	71	30,000	0	30,000	
77	Xagħra	58	60,000	120,000	55,000	120,000
78	Xewkija	68	26,000		25,000	
79	Xgħajra	68	70,000	190,000	60,000	160,000
80	Żabbar	9		239,300		
81	Żebbuġ (G)	44	20,000			
82	Żebbuġ (M)	61	100,000 ¹		25,000	40,000
83	Żebbuġ (M)	16	52,542 ¹		-	-
84	Żejtun	72	70,000		50,000	
85	Żurrieq	61	150,000	300,000	80,000	150,000

Notes:

1. The year for which funds were applied for was not specified.
2. The Isla LC requested a share of the project cost, which was estimated at €400,000 to €500,000.
3. The application by the Kerċem LC was submitted on behalf of the Santa Luċija Administrative Committee.
4. The Naxxar LC claimed that it could contribute a small percentage of this amount.
5. The Rabat (G) LC requested a share of the project cost, which was estimated at €700,000 to €800,000.

- 2.3.2 One must note that the NAO makes a distinction between the approved funds for 2015, which were in effect committed, and the recommended allocation of funds for 2016 and 2017, where no actual commitment was entered into. While the funding for 2015 was stipulated in the commitment letter sent by the EAC to the selected LCs, only reference was made therein to planned discussions regarding allocations earmarked for subsequent years.
- 2.3.3 Table 6 presents the funds committed for 2015 and recommended for 2016 and 2017, categorised by LC. There is a considerable variation in terms of funds allocated to each LC, which may be understood in the context of the notable variation in scope and cost of the proposed projects. The Fgura LC attained the highest fund commitment for 2015, which stood at €100,000. In response to the Council's request for the sum of €490,795 to be allocated for the finishing and furnishing of the civic centre (NAO Ref. 7), the EAC recommended an allocation of €300,000 over the three-year period 2015-2017. On the other hand, the Kerčem LC, acting on behalf of the Santa Lučija Administrative Committee, obtained the lowest funding, that is, €6,000. This was in fact equivalent to the total amount requested by this Council for the restoration of underground tunnels in Santa Lučija and the infrastructural work required to allow for public access (NAO Ref. 27). Of interest was the fact that while two of Qormi's projects were selected for funding, this LC places eleventh in terms of the LCs with the highest committed funding for 2015, and in terms of the highest committed and recommended funding for the three-year period 2015-2017. Also atypical was the award to the Birżebbuġa LC of funds for 2016 and 2017, amounting to €40,000 in aggregate. In this case, this was in line with the application submitted by the Birżebbuġa LC, in which no funds for 2015 were requested. This commitment entered into by the EAC constituted the only award of funds post 2015.
- 2.3.4 The data presented in Table 6 is reproduced in graphical format in Figures 1 and 2. Figure 1 illustrates the allocation of funds in 2015 across the LCs. All LCs allocated funds were subdivided into quintiles illustrating their ranking in terms of funds allocated. The extent of funding awarded is reflected in the shading applied, with the darkest colour representing the top 20 per cent of the LCs in receipt of the highest amount of funds, while the lightest colour representing the bottom 20 per cent. The LCs that were not selected for funding are shaded in grey, while localities shaded in white represent LCs that had not submitted an application for funding. On the other hand, Figure 2 presents information in a similar format, yet representing commitments effected for 2015 together with recommended allocations for 2016 and 2017.

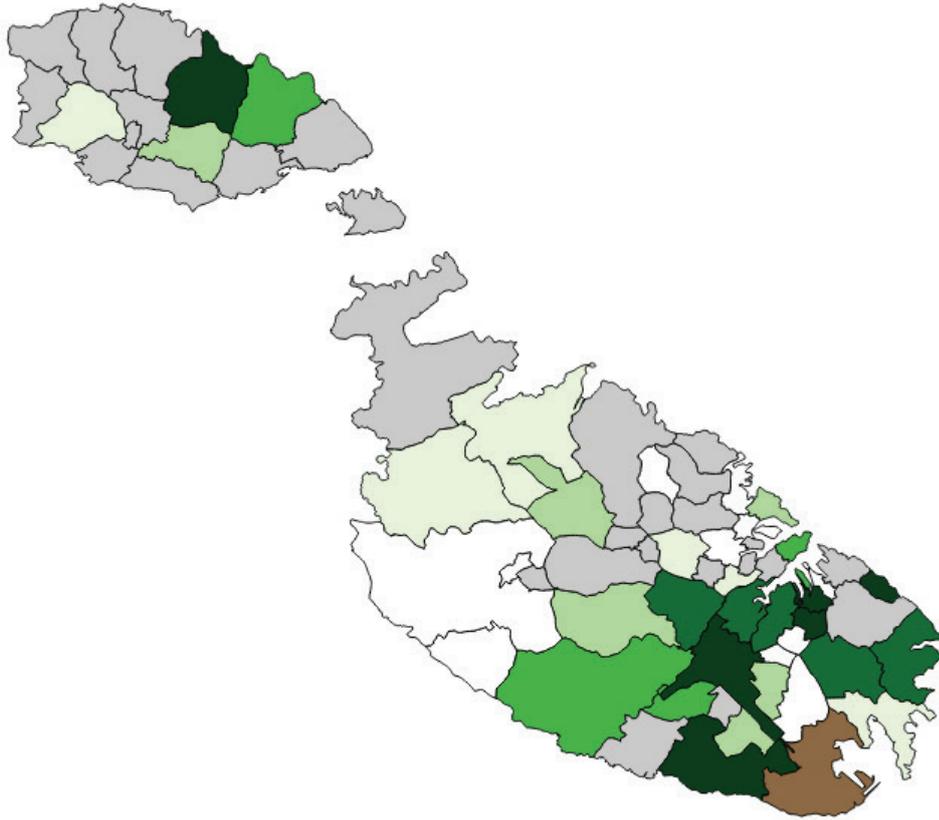
Table 6: Committed (2015) and recommended (2016 & 2017) funds, by LC

LC	Total committed & recommended funding (2015-2017) (€)	Funding committed for 2015 (€)	Funding recommended for 2016 (€)	Funding recommended for 2017 (€)
Fgura	300,000	100,000	100,000	100,000
Żurrieq	230,000	80,000	75,000	75,000
Xgħajra	220,000	60,000	80,000	80,000
Xagħra	175,000	55,000	60,000	60,000
Marsascala	150,000	50,000	50,000	50,000
Bormla	145,000	55,000	90,000	-
Luqa	135,000	65,000	70,000	-
Nadur	130,000	40,000	50,000	40,000
Paola	100,000	50,000	50,000	-
Sigġiewi	90,000	30,000	30,000	30,000
Qormi ¹	87,000	47,000	40,000	-
Isla	85,000	35,000	50,000	-
Żebbuġ (M)	65,000	25,000	40,000	-
Marsaxlokk	60,000	10,000	50,000	-
Marsa	50,000	50,000	-	-
Mqabba	50,000	30,000	20,000	-
Żejtun	50,000	50,000	-	-
Ħamrun	45,000	10,000	35,000	-
Safi	45,000	15,000	15,000	15,000
Birżebbuġa	40,000	-	20,000	20,000
Birkirkara	35,000	10,000	25,000	-
St Paul's Bay	35,000	10,000	25,000	-
Valletta	30,000	30,000	-	-
Mosta	25,000	25,000	-	-
Xewkija	25,000	25,000	-	-
Gudja	15,000	15,000	-	-
Sliema	15,000	15,000	-	-
Mġarr	7,000	7,000	-	-
Kerċem ²	6,000	6,000	-	-
Total	2,445,000	1,000,000	975,000	470,000

Notes:

1. The entry of the Qormi LC corresponds to the two projects selected by the EAC.
2. The application by the Kerċem LC was submitted on behalf of the Santa Lucija Administrative Committee.

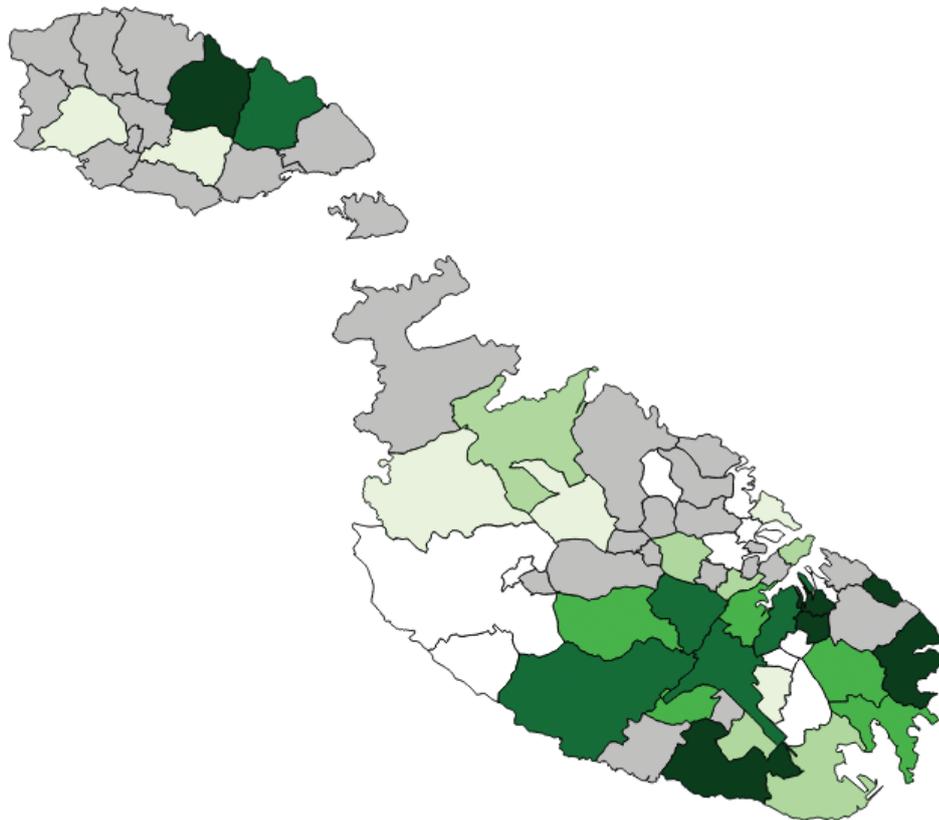
Figure 1: Funds committed for 2015 based on quintile classification at the LC level



Note:

1. The locality shaded in brown corresponds to the Birżebbuġa LC. This Council was allocated funds in 2016 and 2017, as requested in its application form. No request was made for funding in 2015.

Figure 2: Funds committed and recommended for 2015-2017 based on quintile classification at the LC level



2.3.5 Table 7 presents the distribution of funds committed for 2015 as well as the recommended funding for 2016 and 2017, across project types. The number of projects benefitting from the total funding allocated or recommended for each project type is also indicated. For 2015, all funds available – €1,000,000 in total – were allocated across 29 projects. On the other hand, a total of €975,000 and €470,000 in funding recommendations were made for 2016 and 2017, respectively. These allocations corresponded to 21 and 9 projects, respectively, of the original submissions selected for funding in 2015. The project type category with the largest share of allocated funding was the ‘Sports facility or recreational space upgrade’ group, corresponding to six recipient projects allocated a total of €585,000. The ‘Restoration of landmark’ category, populated by just one selected project, obtained the lowest proportion of funding, equivalent to €6,000, committed in 2015. The 11 different types of construction projects, including civic centre, road and other construction project categories, account for 46 per cent of funds committed for 2015 and 52 per cent of the total committed and recommended funds for the period 2015-2017.

Table 7: Committed (2015) and recommended (2016 & 2017) funds, by project type

Project type category	Number of projects	Total committed & recommended funding (2015-2017) (€)	Funding committed for 2015 (€)	Funding recommended for 2016 (€)	Funding recommended for 2017 (€)
Sports facility or recreational space upgrade	6	585,000	255,000	300,000	30,000
Civic centre construction	3	485,000	160,000	175,000	150,000
Road construction works	5	455,000	195,000	160,000	100,000
Other construction projects	3	335,000	105,000	140,000	90,000
Sports facility or recreational space development	1	220,000	60,000	80,000	80,000
Other	2	87,000	47,000	40,000	-
Public convenience upgrade	2	80,000	20,000	60,000	-
Lift installation	2	50,000	50,000	-	-
Solar panel installation	1	50,000	50,000	-	-
Installation of lighting system	1	40,000		20,000	20,000
Car park development	1	30,000	30,000	-	-
Development of infrastructure for alternative transportation	1	15,000	15,000	-	-
Plant nursery development	1	7,000	7,000	-	-
Restoration of landmark	1	6,000	6,000	-	-
Total	30	2,445,000	1,000,000	975,000	470,000

2.4 Outcome of the Appeals Process

2.4.1 An overview of the decisions taken by the AB regarding the appeals lodged is presented in Table 8. During this process, the Floriana LC decided to focus their appeal on the proposal relating to the embellishment of *Vjal Re Dwardu VII* (NAO Ref. 8), effectively withdrawing the appeals lodged in respect of its other two submissions. Following this change, 15 applications corresponding to nine LCs were considered by the AB. The EAC's decision was overruled in four cases, pertaining to projects submitted by the Birkirkara LC (NAO Ref. 3), Qrendi LC (NAO Ref. 58), Swieqi LC (NAO Ref. 72) and Ta' Xbiex LC (NAO Ref. 73), which resulted in an additional commitment of €387,000. The Qrendi LC was allocated €300,000 of the €400,000 requested by the Council for the construction of a civic centre and upgrade of the surrounding area (NAO Ref. 58). This allocation represented the highest grant awarded by the AB and was equivalent to the highest award granted by the EAC. Specific reference is made to the €300,000 granted to the Fgura LC (NAO Ref. 7), following its request for €490,795 in funding for the finishing and furnishing of its civic centre.

Table 8: Overview of outcome of appeal

LC	NAO Ref.	EAC Mark	Project	Outcome of appeal
Birkirkara	3	45	Restoration of train cabin and station within <i>Ġnien tal-Istazzjon</i>	AB overruled EAC decision: €42,000 awarded
Birkirkara	4	59	Upgrading of public convenience	AB confirmed EAC decision
Floriana	8	56	Embellishment of <i>Vjal Re Dwardu VII</i>	AB confirmed EAC decision
Floriana	9	56	Embellishment of <i>Ġnien Herbert Ganado</i>	LC dropped appeal
Floriana	10	16	Construction of a train monument	LC dropped appeal
Għasri	17	35	Road resurfacing works	AB confirmed EAC decision
Lija	29	39	Embellishment of <i>Villa Francia</i> area	AB confirmed EAC decision
Lija	30	4	Civic centre construction project	AB confirmed EAC decision
Lija	31	55	Restoration of <i>Torri Belvedere</i>	AB confirmed EAC decision
Naxxar	47	29	Construction of a community hall	AB confirmed EAC decision
Pietà	52	39	Reconfiguration and embellishment of the space in front of the entrance of the former St Luke's Hospital	AB confirmed EAC decision
Qrendi	58	38	Civic centre construction project and upgrade of surrounding area	AB overruled EAC decision: €300,000 allocated over three years awarded
Swieqi	71	39	Road resurfacing works	AB confirmed EAC decision
Swieqi	72	49	Extension of building in public garden in <i>Triq il-Hemel</i> to include offices for sports clubs	AB overruled EAC decision: €40,000 allocated over two years awarded
Ta' Xbiex	73	81	Park and ride project – development of parking space and infrastructure for a ferry or road transport service	AB overruled EAC decision: €5,000 awarded
Ta' Xbiex	74	49	Installation of solar panels in housing estate	AB confirmed EAC decision
Ta' Xbiex	75	9	Construction of a home for the elderly, including an underground parking space	AB confirmed EAC decision

Chapter 3
An Analysis of the
Selection and Appeals Processes

Chapter 3 – An Analysis of the Selection and Appeals Processes

3.0.1 This chapter presents a chronological overview of the salient issues that characterised the selection and appeals processes with respect to funds awarded under the Capital Projects Fund. Aside from the NAO's analytical review, the views of key stakeholders on these issues are presented. The analysis includes the manner of appointment of the EAC, the ambiguity in the pre-submission information disseminated among LCs and the changes to the project proposals effected post-submission deadline. Other aspects of the NAO's analysis included inconsistencies in the evaluation of applications, matters relating to the distribution of funds across selected projects, the haste of the process and the limitations identified at appeals stage.

3.1 Appointment of the Evaluation and Adjudication Committee

3.1.1 The Minister MJCL appointed the members on the EAC, tasked with the evaluation and adjudication of the Capital Projects Fund applications, on 5 January 2015. The appointed EAC members were the DCS MJCL as Chair, an Advisor to the MJCL, the Director Local Government, the Director for Culture Directorate, an architect, an Assistant Director within the Office of the Permanent Secretary MJCL as Secretary and a clerk MJCL as Assistant Secretary.

3.1.2 In comments made to the NAO, the President LCA questioned the neutrality of the EAC appointments as well as the competence of some of its members. Furthermore, the President LCA commented that the choice of high-ranking officials within ministries as members of the EAC and their direct appointment by the Minister MJCL raised doubts regarding the independence of the Committee. In view of the outcome of the selection process, the President LCA questioned the input of the Director for the Culture Directorate. Specific reference in this respect was made to the fact that projects for the construction of public convenience facilities and Belisha beacons were chosen over projects for the restoration of sites of cultural and historic importance. Finally, the President LCA commented on the limited experience and knowledge of all the members of the EAC regarding the operations of LCs.

3.1.3 Notwithstanding this criticism, the NAO noted that the EAC was appropriately set up, through formal letters of appointment and clearly established terms of reference. Moreover, this Office is of the opinion that the composition of the EAC allowed for varied and comprehensive competencies, with the number of members on the Committee allowing for a more objective appraisal of proposals.

3.2 Non-adherence to the Application Submission Deadline

- 3.2.1** The deadline for the submission of applications with respect to the 2015 Capital Projects Fund was stipulated in MJCL Circular 2/2015 and set for 30 January 2015. This provision was complied with by all participating LCs.
- 3.2.2** Notwithstanding this, the NAO noted that the Kirkop LC (NAO Ref. 28) had submitted an enquiry to Chair EAC, on 28 January 2015, to determine whether it would be possible to extend the deadline to 2 February 2015. The justification provided for this request was that the LC was awaiting the receipt of contractor workings, necessary for the completion of the application form. On the same day, the Chair EAC notified the Kirkop LC that it was to submit its application form, with all the information available, by the established deadline; however, Chair EAC also indicated that further documentation could be submitted shortly thereafter. The Kirkop LC did submit an application form by 30 January 2015. However, the only completed section of the application form was that relating to the general details about the project. Further documentation, in the form of a project proposal by a private telecommunications company, was submitted at a later date.
- 3.2.3** The NAO is of the opinion that the fairness of a selection process is assured through the equal treatment of all participants. The enforcement of a uniform submission deadline is one such aspect of equal treatment, intended at ensuring that all LCs are allocated the same time in preparing a submission. The NAO maintains that the EAC should have insisted that all documentation be submitted by the set deadline and not allow further submissions thereafter. This assumes particular relevance when one considers the request for a deadline extension made by ANSEK during the 8 January 2015 information session, which was declined by the EAC. It is in this context that the submission of an almost empty application form by the deadline should have prompted the EAC to disqualify the Kirkop LC application. Alternatively, the concession allowed to the Kirkop LC could have been communicated to all LCs thereby ensuring a level playing field.
- 3.2.4** Ultimately, the Kirkop LC project was not selected for financing as the EAC questioned its necessity and value added, therefore rendering the acceptance of this additional submission irrelevant in terms of the Committee's final allocation of funds. It is in this context that the NAO considers the non-adherence to the deadline as bearing no real effect, and therefore notes that the selection process was not compromised.

3.3 Pre-Submission Information Lacunae or Ambiguities

- 3.3.1** The NAO noted that MJCL Circular 2/2015, issued by the DLG with regard to the 2015 Capital Projects Fund, made no reference to the overall amount of funding to be allocated or the threshold regarding individual requests. In a meeting with the NAO, the President ANSEK explained that, while the total funding available was communicated to the LCs during the information session at Naxxar, the EAC did not specify any set capping or the number of projects to be funded, despite queries raised in this regard. This was confirmed by the Chair EAC. The President LCA also confirmed this understanding and stated that, despite direct requests by the President ANSEK during this information session, the Chair EAC failed to provide any such guidelines. The President ANSEK also noted that the Chair EAC insisted that the Committee did not want to limit the submissions put forward by the LCs to projects not exceeding a certain threshold, and were open to consider projects with substantial costs. In this respect, the President LCA described the guidelines provided as unclear, allowing for a high degree of interpretation.

- 3.3.2 Notwithstanding that stated during the information session, duly confirmed by the Chair EAC, the NAO noted that some applications were negatively assessed due to the project scale being too large and funding requested being too high. The EAC was contrary to allocating a large portion of the Fund to just one project, particularly in view of the large number of applications received and the limited funds available. This understanding was based on the general comments recorded in the evaluation sheet of various project proposals, including those submitted by the Gudja (NAO Ref. 19), Qormi (NAO Ref. 56), Pembroke (NAO Ref. 49), Floriana (NAO Ref. 8) and Ghasri LCs (NAO Ref. 17). The Chair EAC confirmed the accuracy of this understanding during a meeting held with this Office, wherein he stated that the Committee had decided to distribute the funds as widely as possible.
- 3.3.3 This intention seems somewhat contradictory to the instructions communicated to the LCs during the information sessions, that is, to propose capital projects that could not be implemented using the LCs' funds, as explained by ANSEK in their press release and confirmed by the Chair EAC. Some LCs interpreted this to mean that they were expected to submit large-scale projects. In fact, one of the complaints raised by ANSEK was that some of the projects chosen for funding were relatively small-scale and fell under the ordinary remit of expenditure of a LC, despite instructions to the contrary. The Naxxar LC also made reference to this inconsistency between the initial instructions provided and the basis for final selection in its letter of appeal. The Chair EAC explained that small-scale projects were chosen at the end of the selection process, when the remaining unallocated funds were limited, in order to fully utilise the fund allocation. It is in this context that the EAC chose small-scale projects, such as that proposed by the Qormi LC for the installation of Belisha beacons.
- 3.3.4 In the NAO's opinion, such ambiguities detract from the fairness of the process. This Office finds no objection to the EAC's attempt to distribute the Fund as widely as possible; however, the NAO maintains that the LCs should have been notified of the Committee's intentions in this respect. The LCs that submitted large-scale projects may have opted to submit more manageable and less costly medium-scale projects had they been aware of such parameters. In this respect, the NAO considers the provision of clearer information regarding funding parameters as essential, thereby ensuring that no futile work is undertaken by the LCs on project applications that are out of scope or unfeasible.
- 3.3.5 The President ANSEK indicated to the NAO that he noted an element of ambiguity, or rather inconsistency, with respect to the importance placed on the involvement of the private sector as one of the criteria determining selection. The EAC had presented private sector involvement as an important element of these projects, but not as a compulsory one, having acknowledged the difficulty involved in sourcing such collaborative arrangements, particularly in view of the limited timeframes available for the submission of project proposals. In fact, MJCL Circular 2/2015 indicated that this project characteristic, though not a determining factor for selection, would be given due consideration in the evaluation process. However, the President ANSEK claimed that, during the clarification meetings, greater emphasis was placed on this element. The President ANSEK, in his capacity as Executive Secretary of the Naxxar LC, stated that the EAC had insisted that the Council obtain detailed plans of the private sector's involvement with respect to their proposed project during the individual clarification meeting that he had attended.
- 3.3.6 Similarly ambiguous were comments noted by the NAO in its review of evaluation sheets, which indicated that the EAC was contrary to financing projects that could obtain funding from alternative sources. The ambiguity arose out of the fact

that despite that this consideration was discussed in the EAC meeting held on 15 December 2014, the EAC failed to indicate to the LCs, in the MJCL Circular 2/2015, that eligibility for other funding sources would negatively impact the application's possible selection. The NAO enquired with the President ANSEK and President LCA whether, during the information sessions, the LCs were informed that projects that could benefit from alternative funding would be unfavourably appraised while those not eligible for such funding would be given preference. Both could not recall any reference to access to alternative funding as a selection criterion. On the other hand, the Chair EAC stated that the LCs were encouraged to consider alternative funding opportunities, even if to supplement the partial allocation covered by this Fund.

3.3.7 Alternative funding possibilities were mentioned in the general comments of evaluation sheets of applications submitted by the:

- a. Birkirkara LC, for the restoration of a train cabin and station and the development of the station building into a museum (NAO Ref. 3);
- b. Floriana LC, for the embellishment of an avenue and garden (NAO Ref. 8 and 9);
- c. Gudja LC, for the construction of a civic centre (NAO Ref. 19);
- d. Isla LC, for the restoration of a watch tower and installation of a lighting system (NAO Ref. 23);
- e. Lija LC, for the restoration of a tower (NAO Ref. 31);
- f. Mosta LC, for the restoration of a battery and the surrounding grounds and its development into a family park and an educational centre for masonry conservation and sustainable refurbishment (NAO Ref. 40);
- g. Sannat LC, for the installation of water culverts (NAO Ref. 64); and
- h. Żebbuġ (G) LC, for the construction of an outdoor gym (NAO Ref. 81).

3.3.8 Alternative funding sources mentioned included central government funds and EU funds, with specific reference made to the MJCL scheme for the restoration of historical buildings, the Urban Improvement Fund within MEPA, and another planned DLG scheme. It must be stated that all applications cited in the preceding paragraph were not selected for funding. On the other hand, the submission made by the Paola LC (NAO Ref. 48) for the renovation of a garden was marked favourably in view of the Council's plan to obtain funding from the MEPA Urban Improvement Fund, suggesting a clear inconsistency in the treatment of alternative funding. The NAO's concern was drawn to the inconsistent application of this criterion and recommends that the effect, be it adverse or otherwise, be specifically indicated as part of the eligibility criteria outlined in the circular.

3.3.9 Further elaborating on this matter in a meeting with the NAO, the President LCA criticised the EAC for penalising projects they believed would be eligible for alternative funding, without having reliable information about the eligibility and access of these projects to such funding. The President LCA made reference to the application for the restoration of a tower (NAO Ref. 31) submitted by the Lija LC, on which he served as a councillor. Following a request for information, the EAC had indicated to the Lija LC that this project was not selected for funding since it could benefit from a restoration funding scheme that was to be issued later that year. However, the President LCA stated that when the scheme was in fact launched, the Lija LC applied for such funds yet was informed that its project was not eligible for funding, effectively stalling the initiative.

3.3.10 It is clear, from the applications submitted, that certain LCs misinterpreted the concept of project sustainability. The NAO is of the understanding that the intended concept of financial (or possibly operational) sustainability was confused with environmental

sustainability. This was the case with the applications submitted by the Birkirkara (NAO Ref. 3), Hamrun (NAO Ref. 20), Mqabba (NAO Ref. 44), Pembroke (NAO Ref. 50), and Qormi (NAO Ref. 54) LCs, among others. The NAO cannot determine whether this ambiguity resulted from unclear communication of this evaluation criterion by the EAC or due to the lack of understanding by some LCs. What can be determined is that the MJCL Circular 2/2015 mentions the 'sustainability of the project' as one of the pre-established evaluation criteria.

- 3.3.11 The NAO presented these examples of misunderstanding to the Chair EAC, who stated that the concept of sustainability was clearly explained to the LCs during the information sessions. The views of the President ANSEK regarding whether the errors of interpretation were due to a failure by the EAC to clearly explain the evaluation criteria, or otherwise, were sought. The President ANSEK commented that the criteria were self-explanatory and that although the EAC did not provide detailed explanations during the information sessions, in his opinion, such explanations were unnecessary.
- 3.3.12 The circular indicated that the LCs could apply for funds for projects that were at planning stage and also for projects that were already being implemented. In the case of projects still in their planning phase, MJCL Circular 2/2015 did not specify the stage and detail of planning required for projects to be eligible for funding. Cost estimates, finalised agreements with the private sector, and sustainability or feasibility studies were not necessary for the completion of the standard application form. Yet, the NAO noted that these examples were cited by the EAC in the evaluation sheets as information deemed lacking with respect to the submitted project. Insufficient planning was a criticism recorded in the evaluation sheet of the Għarb LC submission for the opening of a night shelter for the elderly (NAO Ref. 16), the Iklin LC proposal for the development of public land into a multi-purpose pitch and car park (NAO Ref. 21), the Mosta LC application for the rehabilitation of Tat-Tarġa Battery project and surrounding grounds and its development into a family park and educational centre (NAO Ref. 40), as well as in the case of the construction of a sports complex project submitted by the Qormi LC (NAO Ref. 56), among others.
- 3.3.13 Additional concerns identified by the NAO related to the presentation of supporting documentation. All applicants were required to submit proposals outlining the information requested in the standard application form. The project information required included a description of the project, an explanation of how it would benefit the locality, address government measures and be sustainable, details of alternative funding avenues, insurance cover, the requested financial contribution from the Fund for 2015, 2016, 2017 and subsequent years, as well as any planned future financial contribution to the Fund. Applicants were informed in the MJCL Circular 2/2015 that the EAC could request additional information or clarifications. In response to the NAO's queries regarding whether the EAC clearly indicated what supporting documentation could have been requested at a later date, the President ANSEK stated that, to the best of his knowledge, the LCs were not given clear indications in this respect. On the other hand, Chair EAC stated that the LCs had the opportunity to clarify such matters in the information meeting held.
- 3.3.14 One common request for supplementary documentation, communicated during the clarification meetings held on an individual basis with the applicant LCs, related to the project cost estimate. In most cases, the LCs complied with the Committee's requests for additional information in a timely manner, such as in the case of the Paola (NAO Ref. 48), Qrendi (NAO Ref. 58) and Sliema (NAO Ref. 69) LCs. However, there were some exceptions, as was the case of the Lija (NAO Ref. 31) and Ta'

Xbiex (NAO Ref. 73) LCs. The NAO is of the opinion that the EAC should have clearly indicated during the information sessions that further information relating to the project cost estimate was likely to be requested at a later stage, thereby providing the LCs with sufficient time to prepare such documentation. The case presented with respect to the project cost estimate is merely intended as an example, as this shortcoming may readily be applied to requests for other supporting documentation that were not specified by the EAC at the initial stages of the process.

3.3.15 The Chair EAC confirmed to the NAO that the Committee did not forward to the LCs minutes of the information sessions, explaining that the sessions were thorough and lengthy in duration, and that they were very well attended by mayors and executive secretaries. The NAO recognises the organisation of the information sessions as a positive initiative. A possible improvement on this initiative would have been the circulation of a summary of the information provided and the queries explained during the information sessions, thereby addressing any ambiguities. Moreover, in view of the fact that representatives of the LCs only attended one of these sessions, and since different issues may have been addressed at the two sessions, this would have ensured that all LCs received the same information in the process. In this respect, the Chair EAC acknowledged that this was the first time that such a process was employed for the distribution of funds to the LCs, and indicated his willingness to consider recommendations intended at improving the process.

3.3.16 The NAO noted that the information communicated to the LCs at pre-submission stage was at times ambiguous and deemed incomplete in relation to certain aspects of the selection process. In this sense, this Office's concern was drawn to the fact that:

- a. there was no clear indication as to how funds were to be disbursed across projects;
- b. no capping was specified;
- c. the importance attributed to the involvement of the private sector was inconsistent;
- d. the implication of potential alternative sources of funding was not specified and subsequently inconsistently appraised;
- e. supplementary supporting documentation required was not specified at the initial stages of the process; and
- f. no minutes corresponding to the information sessions held were circulated to LCs.

3.4 Changes to Project Proposals following Clarification Meetings

3.4.1 Every LC that had submitted an application was invited to attend an individual clarification meeting. The EAC requested the attendance of the mayor and the executive secretary, or their representatives, to discuss in further detail the submitted proposal, with special focus on the benefit to the locality and private sector involvement. These meetings were scheduled for after the deadline for submissions, and took place on 16 February, 23 February and 24 February 2015. All applicants, with the exception of the Rabat (G) LC, attended these meetings. The Chair EAC explained that these meetings were intended for the Committee to gain a deeper understanding of each project, and to grant the LCs an opportunity to submit any further documentation required and make any necessary amendments to their proposals. Minutes of these individual meetings were not kept, and therefore the NAO could not verify the details of the discussions held.

- 3.4.2 Notwithstanding this, the documentation retained by the DLG and reviewed by the NAO, with respect to each application, provided evidence of the submission of additional information following these clarification meetings. Examples include:
- a. the submission of a site plan by the Safi (NAO Ref. 60), Paola (NAO Ref. 48) and Qrendi LCs (NAO Ref. 58);
 - b. the submission of a cost estimate, minutes of a public meeting discussing the issue addressed by the project and additional details by the Mqabba LC (NAO Ref. 43 and 44); and
 - c. the submission of architect's drawings, detailed project objectives and details of alternative funding, among others, by the Nadur LC (NAO Ref. 46).
- 3.4.3 In some instances, the documentation submitted by the LCs after the set deadline could not be classified as clarification or supplementary information, but as revisions to the actual project proposal following the Councils' meetings with the EAC. Among others, the Għajnsielem LC submitted a revised cost estimate (NAO Ref. 13), the Mqabba LC proposed the inclusion of advertising space around the reservoir as an income stream (NAO Ref. 43), the Fontana LC committed €10,000 from their own allocation for the project (NAO Ref. 12) and the Pietà LC forwarded a new project implementation timeline, cost estimates and drawings (NAO Ref. 52).
- 3.4.4 The evaluation sheets also indicated some discrepancies in terms of project characteristics, particularly evident when comparing the original proposal with what was being evaluated. For example, while the application submitted by the Birkirkara LC for the upgrade of public convenience facilities made no mention of any private sector involvement (NAO Ref. 4), and there is no documentation in file of correspondence following the clarification meeting to this effect, the evaluation sheet included a comment that the LC had maintained that private sector involvement would be secured for this project. This assertion favourably influenced the marking of the private sector involvement criterion by the EAC. Similarly, the evaluation sheet for the Mqabba LC playing fields renovation project (NAO Ref. 42) indicated that the renting out of advertising space could yield income that allowed for a future contribution to the Fund, a feature not specified in the application form or in any subsequent correspondence. This additional project feature was taken into consideration by the EAC when grading the project on the future contribution criterion.
- 3.4.5 The integration of advertising income after submission of the project plan was also noted by the NAO in the case of other applications. These included the St Paul's Bay LC proposal for the finishing and furnishing of the newly built civic centre (NAO Ref. 70), the Birżebbuġa LC proposal for the installation of a new lighting system for Pretty Bay (NAO Ref. 5) and the Żejtun LC proposal for the installation of solar panels on a LC building in partnership with the private sector and the upgrade of local playing field equipment (NAO Ref. 84). Similarly, the original application submitted by the Xgħajra LC for the completion of a multipurpose hall and sports complex (NAO Ref. 79) did not refer to any revenue possibilities or the intention of contributing to the Fund in the future. However, the Committee's evaluation sheet markings and comments indicated that income from sports events and payment for childcare services were considered as part of the submitted project proposal.
- 3.4.6 The Chair EAC maintained that such changes did not detract from the fairness of the process, as all the LCs were provided with the opportunity to amend aspects relating to their project. Moreover, the Chair EAC explained that in view of the fact

that some aspects of this funding application were novel, specifically the private sector collaboration and the future contribution to the Fund aspects, the Committee deemed this opportunity as necessary. Furthermore, the Chair EAC claimed that adjusting project-related matters provided the LCs with an opportunity to clarify certain aspects of their proposal and in so doing aid the Committee in establishing a more thorough understanding of the feasibility of the project at hand.

- 3.4.7 The NAO acknowledges that all but one LC attended a clarification meeting, and therefore practically all of the LCs had the possibility of making such a submission or requesting alterations to their project proposal. However, the NAO is unable to determine whether guidance for the improvement of the project was provided in an equitable measure to all LCs. Of concern to the NAO was that stated by the President ANSEK, who attended a clarification meeting in his capacity as Executive Secretary of the Naxxar LC. In his meeting with the NAO, the President ANSEK claimed that he was unaware of the opportunity for such revisions. Moreover, the President ANSEK stressed his disapproval with this practice, asserting that it was a clear manifestation of the lack of fairness employed in the selection process.
- 3.4.8 The NAO is of the opinion that, irrespective of the stated positive intentions behind the clarification meetings, and the accessibility for all applicants to schedule such a meeting, the possibility of submitting additional information together with the possibility of revising certain project characteristics post-submission deadline led to an element of ambiguity and inconsistency. In turn, this Office maintains that the assistance provided by the EAC detracted from the fairness of the evaluation process. This Office maintains that the process should have been better structured, with a clear separation between the submission and adjudication stages, thereby ensuring an equitable process for all applicants. If the EAC deemed such support afforded to the LCs as essential, then, this Office is of the opinion that this assistance should have been provided prior to the submission deadline. The Chair EAC acknowledged the validity of this comment and indicated his willingness to consider this possibility for future schemes.
- 3.4.9 Another concern to the NAO related to whether the EAC clearly indicated the timeframe for the additional submissions following the clarification meetings. The minutes of the EAC meeting scheduled 16 February 2015 clearly stipulated that additional information was to be submitted by 26 February 2015. However, the LCs were not sent a written notification to this effect. Furthermore, since no minutes of the clarification meetings held with the LCs were kept by the EAC, the NAO was unable to conclusively determine whether a deadline was consistently communicated to all Councils. However, the Chair EAC claimed that all LCs were notified that the additional documentation to be submitted was required by the end of February, and that this deadline, while not communicated in writing, was emphasised in the clarification meetings. Notwithstanding this, the letter of appeal by the Qrendi LC and correspondence submitted by the Lija LC raise doubts as to whether any such timeframes were communicated to, or understood by, these LCs.
- 3.4.10 In its letter of appeal, the Qrendi LC maintained that the EAC had never indicated a date by which the requested supplementary information, which consisted of cost estimates, MEPA permits and site plans, had to be submitted. The LC submitted this information on 6 March 2015 and was informed of the negative outcome of its submission later on that day. It is in this context that the Qrendi LC argued that its project had never truly been considered for the award of funds.

- 3.4.11 The clarification meeting scheduled by the EAC with the Lija LC was held on 24 February 2015. On 27 February 2015, correspondence was exchanged wherein the Chair EAC was requested to indicate whether there was a deadline for the submission of the required information, and whether another clarification meeting would be organised prior to the final selection. In response, the Chair EAC noted that sufficient time had been afforded for the submission of additional information and therefore, the EAC would soon be drawing its conclusions. The documentation reviewed raises doubts as to whether all LCs were notified of the deadline for submission of additional information.
- 3.4.12 Irrespective of this Office's above-cited views regarding the inappropriateness of these clarification meetings, the NAO noted that their scheduling on different days resulted in the LCs being afforded varying periods of time to submit additional information. Since meetings were held on 16, 23 and 24 February 2015, and the deadline set at end February 2015, the disparity in time allocated for additional submissions is evident.
- 3.4.13 In conclusion, the NAO is of the opinion that the decision by the EAC to accept and even encourage the submission of supplementary or revised project information post-submission detracted from the fairness of the process. Changes effected after the submission deadline were integrated in the submissions as if they were part of the original application, consequently bearing an impact on the evaluation and ranking of projects. The assessment of applications on the information submitted by the stipulated deadline would have allowed for greater equality between projects and ensured process transparency. The NAO is of the opinion that it would have been better to schedule such clarification meetings and assist interested LCs prior to the submission deadline.

3.5 Issues Identified in the Evaluation of Applications

- 3.5.1 In the NAO's review of the EAC's evaluation of the applications for funding, this Office noted elements of inconsistency in terms of the documentation requested from applicant LCs. One such inconsistency was the cost estimate requirement. According to the application form, the LCs were only required to furnish details of the funding that was being requested. The NAO noted that some LCs submitted a bill of quantities (BoQ) attached with their application as supplementary documentation. This Office also noted instances, such as the case of the Qrendi (NAO Ref. 58) and Paola LCs (NAO Ref. 48), when cost estimates were submitted following clarification meetings with the EAC and requests raised to this effect by the Committee. There were other cases where cost estimates were never furnished.
- 3.5.2 Comments noted on the evaluation sheets compiled by the EAC indicated that a number of projects for which a BoQ was not submitted were adversely adjudicated for this reason. This was the case with the San Lawrenz LC application for the upgrade of a child care centre (NAO Ref. 63), for which the Council had requested a relatively small amount of €50,000. In the case of the Ta' Xbiex LC submission for the park and ride project (NAO Ref. 73), which was the same concept as that presented by the Sliema LC in its application (NAO Ref. 69), the EAC clearly indicated that they opted to allocate funding to the latter Council since it had submitted a cost estimate. This was despite the fact that the Ta' Xbiex LC submission had obtained 81 marks and the Sliema LC submission 78 marks. The NAO noted that, in the case of the initial submissions put forward by the Ta' Xbiex and Sliema LCs, both Councils failed to indicate the amount of funds requested. Hence, the cost estimate submitted by the Sliema LC assumed an element of relevance in this respect.

3.5.3 On the other hand, and of concern to the NAO, were the instances when this Office was unable to find any detailed cost estimate, supplier quote, or financial details of a PPP agreement on file for the projects that were selected for funding by the EAC (Table 9 refers). Assuming that all data submitted by the LCs was retained on file, the NAO can ascertain that, in these cases, such documentation was neither part of the original submission with the application form, nor submitted at a later date. Especially in the case of applications by the Xagħra and Xgħajra LCs (NAO Ref. 77 & 79), requesting €335,000 and €480,000 in funding, respectively, and securing substantial funding commitments, it is unclear why the EAC did not consider the submission of a cost estimate to be necessary.

Table 9: Selected projects for which no cost estimate was provided

NAO Ref.	Project Details	Local Council	Funding Committed 2015 (€)	Funding Recommended 2016 & 2017 (€)
4	Upgrading of public convenience	Birkirkara	10,000	25,000
18	Road resurfacing works and installation of rain water culverts	Gudja	15,000	-
27	Restoration of underground tunnels in Santa Luċija.	Kerċem ¹	6,000	-
39	Construction of an indigenous plants and trees nursery in the <i>Tal-Faċċol</i> site	Mġarr	7,000	-
42	Renovation of local playing field	Mqabba	30,000	20,000
70	Finishing and furnishing works - civic centre construction project	St Paul's Bay	10,000	25,000
76	Development of a parking space at the Ditch and the installation of a lift to link this area to the pedestrian zone in the centre of Valletta	Valletta	30,000	-
77	Road resurfacing and infrastructural works in <i>Triq Marsalforn</i>	Xagħra	55,000	120,000
79	Finishing works on multipurpose hall and sports complex project	Xgħajra	60,000	160,000

Note:

1. The application by the Kerċem LC was submitted on behalf of the Santa Luċija Administrative Committee.

3.5.4 The NAO has no documentation indicating that the EAC actually requested cost estimates and this Office based its understanding on that stated by the Chair EAC, who explained that, during the clarification meetings, the LC representatives were asked to provide a breakdown of the costs. However, the Chair EAC elaborated by arguing that only the LCs that did not provide a convincing breakdown of expenses were asked to obtain a BoQ prepared by an architect. The request for this particular type of documentation was at the discretion of the architect appointed as a member of the EAC.

3.5.5 Another inconsistency noted by the NAO related to the MEPA permits. In the application form, LCs were asked to indicate whether their project required a MEPA permit, and in the affirmative, whether such a permit had already been obtained. Some of the projects selected for funding had not yet obtained MEPA approval, though it had been clearly indicated in the application form that MEPA permits were required for their projects. Examples are the Birkirkara and Ħamrun LCs submissions for the upgrading of public convenience facilities (NAO Ref. 4 & 20), as well as the Valletta LC submission for the development of a parking area and the installation of a lift (NAO Ref. 76).

- 3.5.6 In many cases, the LCs omitted to indicate the possession, or otherwise, of MEPA permits. The following projects refer. The Isla LC application failed to complete MEPA-related submission requirements for the project entailing the reconfiguration of the space, paving and embellishment of the town square (NAO Ref. 22). However, the NAO noted that MEPA permits were mentioned when indicating the timeline of the project, which specified that the project would be implemented within six months following the issuance of the required permits. Similarly, the Sliema LC (NAO Ref. 69) submission for the park and ride project only made reference to MEPA permits in the BoQ, where the submission of a full development application with MEPA was listed as one of the items of the cost estimate.
- 3.5.7 Notwithstanding the fact that these LCs did not submit MEPA permits, their projects were still considered eligible for funding and were in fact ultimately selected by the EAC. This approach was not maintained with respect to the submission by the Żabbar LC (NAO Ref. 80), in its proposal for the construction of a civic centre. In its adjudication, the EAC commented that, *'The Council had notified the Board that it still needs to initiate the process to submit applications to MEPA.'* In sum, while the consideration and selection of projects at an early planning stage was deemed to be the prerogative of the EAC, the NAO considered the inconsistent treatment of similar cases as a shortcoming of note.
- 3.5.8 The NAO also noted an element of ambiguity in the interpretation of certain evaluation criteria. The second criterion specified in the MJCL Circular 2/2015, and included in the evaluation sheets, referred to private sector involvement in the completion of the capital project. In the NAO's understanding, this referred to any investment from, or collaborative management efforts with, the private sector. Long-term rental contracts for use of space or facilities within the capital project built could also be considered as private sector involvement. However, in this Office's understanding, the evaluation and marking of this criterion was often based on whether the project was to source alternative funding mechanisms, rather than strictly private sector involvement. For example, the Luqa LC was awarded 10 marks on this criterion for including space for publicity in its project plan for the rehabilitation and embellishment of its playground (NAO Ref. 32). The Safi LC submission for the development of a recreational space for families (NAO Ref. 60), the Mqabba LC proposal for the renovation of a local playing field (NAO Ref. 42), and the Xewkija LC lift installation submission (NAO Ref. 78) were also all favourably assessed on this criterion, obtaining 8, 10 and 10 marks, respectively, due to the inclusion of advertising space.
- 3.5.9 The use of advertising space for publicity by the private sector is certainly a project characteristic that strengthens the sustainability of the project and provides an opportunity for a future contribution to the Fund. However, the NAO questions how payment for advertising constitutes private sector involvement in terms of project implementation and completion, since this space would presumably only become accessible and be utilised after the completion of the capital project. In response to these concerns, the Chair EAC stated that, at times, publicity was provided to private companies as payment in exchange for works. This statement could not be confirmed by the NAO through the review of documentation submitted by the LCs and retained by the DLG.
- 3.5.10 Similarly, the evaluation sheet for the Paola LC's submission (NAO Ref. 48) for the renovation of a garden included a remark under the private sector involvement criterion that the LC intended to seek part funding for this project from the MEPA Urban Improvement Fund. The NAO notes that this reference to the Fund clearly

confirms its understanding that the private sector involvement criterion was also being interpreted as alternative funding, irrespective of whether it was sought from the private sector, or otherwise. Furthermore, in the assessment of the private sector involvement criterion for the Qormi LC project (NAO Ref. 54), the EAC took into consideration the fact that the Council was to contribute 15 per cent of the project cost. On the other hand, the Sannat LC application (NAO Ref. 65) for road resurfacing works was awarded nil marks on the private sector criterion despite having secured EU funding for its project. Similarly, the Għasri LC submission for road resurfacing works (NAO Ref. 17) was allocated zero marks on this criterion, despite the LC's documented claim that it would commit €30,000 of its own funds for this project. While the NAO supports the positive assessment of projects that did not rely solely on the Fund for financing, this Office maintains that such considerations should have been clearly specified in the MJCL Circular 2/2015. Moreover, this Office is of the opinion that these measures should be consistently reflected in the scoring of applications, as instances of inconsistency as exemplified by the Sannat LC case raise concern over the reliability of the scoring method applied.

- 3.5.11 The NAO fails to understand why the payment of contractors by instalments was considered by the EAC as constituting private sector involvement. This reasoning was observed in the case of the Qormi LC project for the installation of Belisha beacons near pedestrian crossings (NAO Ref. 54) and the Siġġiewi LC application for the reconstruction of a playground (NAO Ref. 68). In both cases, the contractor was to be paid over a period of three years. The Chair EAC explained that the Committee viewed the payment by instalments, without the application of interest charges, as a form of private sector contribution. The NAO considered marks awarded in this sense as additional evidence of the ambiguity in the interpretation of the private sector involvement criterion.
- 3.5.12 On the other hand, a number of applications that featured PPP arrangements scored low on this criterion. Specific reference is hereby made to the projects submitted by the Kalkara, Lija and Isla LCs, to which the EAC allocated only five marks for private sector involvement. This meagre allocation of marks remained an ambiguity to the NAO as PPP proposals directly imply considerable private sector investment and involvement in the project administration. In all three cases, the EAC commented that the private sector collaboration was unclear, and recorded this in the evaluation sheets. The Kalkara LC proposed a PPP long-term agreement for infrastructure development and the provision of a sea ferry service (NAO Ref. 25). The Isla LC proposed a PPP with a local company specialised in the management of car parks for the operation of a modular car park (NAO Ref. 24). Similarly, the Lija LC, in its submission for the embellishment of the Villa Francia area, included the proposal of car park development through a PPP with private landowners (NAO Ref. 29).
- 3.5.13 When one considers that in some cases ten marks were allocated simply for the inclusion of advertising space and the intended income from the use of such space by the private sector, or for an agreement with the contractor for payment by instalments, the NAO is of the opinion that the PPP proposals received low scores on this criterion. The NAO is of the understanding that projects featuring ambitious plans for collaboration with the private sector were penalised for not having detailed plans, while projects that had simple plans, which at times were added to the project description following the clarification meeting, were rated more favourably on this criterion. This was the case for the Birkirkara LC application for the upgrading of public convenience facilities (NAO Ref. 4). The only information regarding private sector involvement was the evaluation sheet comment by the EAC stating that the LC had made a commitment, during the clarification meeting, to obtain private

sector involvement, even though no details of what such an involvement entailed were recorded. The EAC awarded this application a score of eight on this criterion, contributing to a total score of 59, which was just above the 58-mark threshold for project selection. These comparisons serve to illustrate the inconsistencies in marking, and are only a few examples of such marking variability.

- 3.5.14 Inconsistencies in the award of marks were also evident in the case of the criterion related to the future contributions to the Fund. One example was the case of the two proposed projects for the upgrade of public convenience facilities, submitted by the Birkirkara and Ħamrun LCs (NAO Ref. 4 & 20). In both cases, the future contribution depended on the use of facilities against payment. This idea was not included in the original application, but was remarked on in the evaluation sheet, indicating that it was agreed on at a later stage, probably during the clarification meetings. Despite this common source of revenue, the EAC allocated five marks to the Birkirkara LC, commenting that, if a fee was introduced, part of the revenue could be forwarded to the Fund, and only one mark to the Ħamrun LC, commenting that it was not convinced of the LC's claim that use would be against payment. Similarly, different projects proposing to contribute to the Fund through income from fees for car park use obtained varying scores. The Sliema and Ta' Xbiex LCs were awarded 10 marks, the Valletta LC 8 marks and the Isla LC 5 marks on this criterion (NAO Ref. 69, 73, 76 & 24).
- 3.5.15 Another example of this inconsistency in marking was identified in the rating of income from advertising as a source of future contribution to the Fund. All cases where either the LC proposed contributing part of the income from the lease of advertising space in the application form, or where reference to such a contribution was made in the comments recorded by the EAC in the evaluation sheet, are presented in Table 10. Of interest was the fact that the score allocated for the criterion assessing the future contribution to the Fund varied from three to eight among applications that were solely relying on income from advertising. In the three cases where the idea of generating income from the lease of publicity space was not presented in the application form, the evaluation sheet comments do not seem to guarantee commitment from the respective LC in this endeavour. Instead, the EAC simply commented that effort was required from the LC to allow for the generation of income through the use of advertising space.
- 3.5.16 The NAO noted that, as in the case of the private sector involvement scoring, some of the more ambitious plans for income generation obtained equivalent or lower marks on this criterion than projects that simply considered advertising as a revenue stream. These included the plan by the Żejtun LC for electricity generation (NAO Ref. 84 – 4 marks), the Safi LC's proposal for the renting out of the IT room to private entities (NAO Ref. 61 – 5 marks), the Isla LC's proposal for payment for car park use (NAO Ref. 24 – 5 marks) and the lease of the proposed educational centre for conferences and seminars put forward by the Mosta LC (NAO Ref. 40 – 5 marks).

Table 10: Marks allocated for advertising revenue

NAO Ref.	Project Details	LC	Mark ¹	Future Contribution Details
5	Installation of a new lighting system for Pretty Bay	Birżebbuġa	5	<i>Application form:</i> no contribution. <i>Evaluation sheet:</i> LC must make an effort to obtain income from advertising space.
8	Embellishment of <i>Vjal Re Dwardu VII</i>	Floriana	5	<i>Application form:</i> income from advertising space. <i>Evaluation sheet:</i> income from advertising space.
9	Embellishment of <i>Ġnien Herbert Ganado</i>	Floriana	5	<i>Application form:</i> income from advertising space. <i>Evaluation sheet:</i> income from advertising space.
18	Road resurfacing work and installation of rain water culverts	Gudja	3	<i>Application form:</i> no contribution. <i>Evaluation sheet:</i> LC must make an effort to obtain income from advertising space.
22	Reconfiguration of the space, paving and embellishment of <i>Misraħ I-4 ta' Settembru</i>	Isla	8	<i>Application form:</i> income from encroachment permits, tourist information centre and advertising space. <i>Evaluation sheet:</i> income from advertising space.
32	Embellishment of playground area near <i>Misraħ iż-Żgħażaġħ</i>	Luqa	8	<i>Application form:</i> income from advertising space. <i>Evaluation sheet:</i> income from advertising space.
42	Renovation of local playing field	Mqabba	8	<i>Application form:</i> no contribution. <i>Evaluation sheet:</i> income from advertising space.
54	Installation of Belisha beacons near pedestrian crossings	Qormi	3	<i>Application form:</i> no contribution. <i>Evaluation sheet:</i> reduction in electricity consumption and possible income from advertising space.
70	Finishing and furnishing works - civic centre construction project	St Paul's Bay	5	<i>Application form:</i> no contribution. <i>Evaluation sheet:</i> income from advertising space.
84	Installation of solar panels on local council property and the upgrade of local playing field equipment	Żejtun	4	<i>Application form:</i> income from electricity generation. <i>Evaluation sheet:</i> LC must make an effort to obtain income from advertising space.

Note:

1. Mark awarded for the 'Future Contribution to Fund' criterion.

3.5.17 The NAO was unable to determine whether these inconsistencies reflected differences in the LCs' proposals and commitments. The details available in the application form, supplementary documentation submitted and evaluation sheet comments do not provide proof of such differences. However, the NAO is cognisant of the fact that the available documentation does not include details of the discussions held

between the LCs and the EAC, as well as possible explanations provided during the clarification meetings, which details could have served to explain the variations in scores of what appear to be equivalent project characteristics. As indicated earlier, the NAO is of the opinion that the EAC should have kept minutes of the clarification meetings, or at least circulated follow-up emails detailing the discussions held. In the absence of any evidence substantiating such differences, the NAO believes that such variations in the marks allocated could be symptomatic of the absence of a clear and systematic marking system. When confronted with such inconsistencies, the Chair EAC confirmed that the EAC did not have any kind of schedule guiding the allocation of marks for different project characteristics, but based their marking on a subjective comparative assessment.

- 3.5.18 The Chair EAC explained that different marks allocated to similar project characteristics could have been influenced by the varying degrees of clarity and conviction with which the LC representatives communicated their proposals during the clarification meetings held with the Committee. As an example, the Chair EAC made reference to the different proposals submitted for the construction of modular car parks, explaining that the knowledge of the structure and the feasibility of the project varied between LCs. Moreover, the future contribution to the fund varied across these projects, depending on the capacity of the parking site as well as whether the management of the car park was to be kept within the LC's control or sub-contracted to a private company. The Chair EAC argued that these elements, which influenced the marking of the proposals, partly transpired during the clarification meetings.
- 3.5.19 Moreover, the Chair EAC commented that the Committee was not comparing similar submissions since projects put forward were widely divergent. This made the assessment and marking of very different proposals extremely challenging. The NAO acknowledges the difficulty in drawing a comparative assessment between projects bearing such stark differences in terms of their characteristics, aims, scope, financing mechanism and scale. In this respect, the NAO considers the possibility that elements of the marking inconsistencies identified by this Office may be underlying additional factors that were not captured by the evaluation criteria. Addressing the NAO's concerns in this regard, the Chair EAC asserted that limiting the scope of projects eligible for funding in future schemes would allow for more comparable assessments.
- 3.5.20 One final matter arising with respect to the evaluation criteria employed by the EAC related to the financial situation of the Councils applying for such funds. In this regard, the EAC awarded higher marks to LCs that were in good financial standing. The financial health, or otherwise, of the Council was assessed by the EAC member who advised the Committee on financial matters. The penalisation of LCs in a poor financial position was criticised by the President LCA, who argued that on the contrary, LCs facing debt should have been given priority for aid. The President LCA related the objection raised by a mayor during the information session at Naxxar, who did not want her LC to be negatively assessed because of previous poor administration that had left the LC in significant debt. On the other hand, the Chair EAC argued that the Committee wanted to steer away from perpetuating and aggravating the problems of debt faced by some LCs, or investing in projects that could not be completed due to the LC's inability to contribute to the project funding. While acknowledging the low weighting allocated to this criterion, the NAO reserves some scepticism regarding the adequacy of this consideration.
- 3.5.21 In sum, the NAO's attention was drawn to various issues of concern relating to the evaluation of the applications. Inconsistencies were noted in terms of the

documentation deemed necessary by the EAC, with certain cases being penalised for not submitting supplementary documentation, while in other cases, funds were awarded despite the fact that similar documents were not made available. The NAO also noted an element of ambiguity in the interpretation of certain evaluation criteria, specifically with regard to the private sector involvement criterion. Here, projects were favourably scored for sourcing alternative public sector funding, which in this Office's opinion, cannot be classified as private sector involvement. Similarly ambiguous was the consideration of revenue from advertising and the payment to contractors by instalment as a form of private sector involvement. Another issue noted by the NAO related to deficiencies in the reliability of the scoring system employed, with projects bearing similar characteristics rated differently. This Office is of the opinion that this is partly symptomatic of the absence of a clear and systematic marking scheme, compounded by real differences between projects that were not captured in the documentation retained. The NAO is cognisant of the challenge presented to the EAC in the adjudication of widely divergent projects. In this respect, this Office is of the opinion that future schemes should be more narrowly focused, addressing specific priorities.

3.6 Selection Discretion: Non-conformity with Evaluation Scores

- 3.6.1** The evaluation criteria to be applied in the selection process were determined by the EAC in its first Committee meeting dated 15 December 2014, and communicated to all LCs in the MJCL Circular 2/2015. The EAC had decided on the weighting of each criterion in the Committee meeting dated 21 January 2015, therefore prior to the submission deadline and the opening of applications. Each application was assessed against these criteria, and marks accordingly allocated.
- 3.6.2** Following the allocation of marks, projects that obtained at least 58 marks in the evaluation process were selected for funding. This was adhered to in all cases except for the proposal put forward by the Ta' Xbiex LC. Despite having initially obtained 81 marks, the park and ride project submitted by the Ta' Xbiex LC (NAO Ref. 73) did not receive any funding. The NAO noted that marks awarded to this submission were indicated on the evaluation sheet yet crossed out at a later stage. Initially, the EAC was willing to fund this project due to the importance of the zone and the existing traffic problems in the area. However, this endorsement was subject to the following provisos: that payment would only be issued once the LC provided a concrete plan of the project's financing and implementation, and that the future contribution to the Fund was clearly specified. Despite the positive preliminary review, subsequent comments made by the EAC referred to the Sliema LC project (NAO Ref. 69) as being essentially equivalent to this project. The EAC decided to allocate funds for this project to the Sliema LC, as unlike the Ta' Xbiex LC, it had provided an estimate of the project cost when requested by the EAC during the clarification meeting. The NAO noted that the total marks allocated to the Sliema LC submission was 78, lower than the original marks assigned to the Ta' Xbiex LC (81 marks).
- 3.6.3** ANSEK specifically commented about this case in its press release, and questioned why, out of the two LCs that had submitted an identical project, only the LC with the bigger budget was awarded funding. The Chair EAC explained that the EAC chose not to finance the same project through two different LCs, and the Sliema LC was chosen as the sole fund recipient since it had provided the EAC with a cost estimate, unlike the Ta' Xbiex LC. Moreover, the Chair EAC emphasised that the marks originally allocated to the Ta' Xbiex LC were eventually crossed out, and the proposal was not considered. This explanation was deemed reasonable by the NAO.

3.7 Funding Allocation across Selected Projects

- 3.7.1 The available funds for 2015 were distributed among the 30 selected projects. The LCs received confirmation of the funds allocated for 2015 through letters of commitment distributed during a press conference held on 6 March 2015. In the application form, the LCs had to specify the amounts requested for 2016, 2017 and subsequent years, in addition to the request for 2015. In its evaluation report, the EAC indicated the funds committed for 2015 and recommendations for funding allocations for 2016 and 2017 to the above-cited 30 projects. These allocations totalled €1,000,000, €975,000 and €470,000 for 2015, 2016 and 2017, respectively.
- 3.7.2 The LCs were not notified of the funding allocations for future years in their respective letter of commitment. However, according to the President ANSEK, the LCs were of the understanding that selected projects requiring additional grants in future years, would receive this funding without the need to re-apply for financing. On the other hand, the President LCA asserted that the receipt of future funds was uncertain. Since commitments in writing for 2015 totalled €1,000,000, which was equivalent to the total fund available for that year, additional funding would be needed for subsequent years. The Chair EAC explained that although only the 2015 allocation had been secured, there was an understanding with Government that, as a minimum, an equivalent €1,000,000 per annum would be allocated to the Fund in 2016 and 2017.
- 3.7.3 As indicated, the letter of commitment sent to selected LCs only made reference to the amount of funds allocated for 2015; however, contrary to the norm, the Birżebbuġa LC letter of commitment did in fact outline the future financing intended for this Council. The NAO deemed this case particular, specifically in view of the fact that it was the only selected project for which funding was not requested for 2015, but sought for subsequent years. In fact, the EAC did not allocate any funds with respect to the Council's proposed lighting system installation project for 2015, but recommended the allocation of €20,000 per annum for 2016 and 2017. In the letter of commitment sent to the Birżebbuġa LC, the Council was informed that '*.. the sum approved by the Board for 2015 is €0 (as indicated in the application form). The Board is committing itself to offer financing in subsequent years (as indicated in the application form).*'
- 3.7.4 The Chair EAC explained that, early on in the process, the members of the EAC recognised that proposed capital projects could have an implementation phase longer than one year, and would therefore require funding for several years. The Chair EAC maintained that the Committee wanted the selected projects to be supported until completion, and considered its recommendations for future years as representing funding commitments. Elaborating in this respect, the Chair EAC indicated that the LCs were aware that selected projects would be awarded funding throughout project implementation, and this was evident in the application form, since the Councils were asked to indicate the funding requested for several years. Furthermore, the Chair EAC made reference to the concerns expressed by the PS LG, who sought to avoid a scenario similar to the funding of roads, where there were cases of road construction works funded for only one year, resulting in projects remaining unfinished due to insufficient funds. The EAC intended to communicate future funding allocations to the selected LCs on the signing of the funding agreements, as indicated in the letter of commitment. Whether the future commitments were to be specified in this contractual agreement was unclear to the NAO. The Chair EAC informed the NAO that the Ministry took an administrative decision to postpone the signing of these agreements until the conclusion of the NAO investigation.

- 3.7.5 Considering that stated by the EAC in the letters of commitment, wherein specific reference was made to future financing of the selected projects, the Fund's focus on sustainability and the EAC's understanding of and plans for future funding arrangements, the NAO inferred that the intention was to financially support projects beyond 2015. This resulted in a situation where future funds were committed, albeit not in definite terms, and consequently limiting funding opportunities in 2016 and 2017. In fact, the Chair EAC indicated to the NAO that the recommended allocations for 2016 and 2017 were communicated to the Budget Office within the Ministry for Finance. Moreover, the Chair EAC informed the Budget Office that unless the allocation for 2016 exceeded €1,000,000, the scheme could not be re-issued. Furthermore, the NAO maintains that if the allocation of funds over a three-year period was intended to provide an element of assurance to the LCs regarding the financing of projects, the procedure adopted in this case (with commitments effected solely for 2015) allowed for a degree of uncertainty. However, the NAO is cognisant of the fact that government budgetary allocations are made on a year-by-year basis, hence impeding provisions for 2016 and 2017. This conditioned the EAC's ability to commit funds beyond 2015.
- 3.7.6 Table 11 presents the allocation of funds across selected projects. The NAO is of the opinion that the basis for funding apportionment across the selected projects remained unclear. While the selection of projects was appropriately documented, the allocation of funds across the various initiatives selected by the EAC was not.
- 3.7.7 The NAO sought to determine whether the EAC allocated a greater proportion of the funds requested to projects that were ranked higher than other projects. To this end, the NAO calculated the extent of funding allocated or recommended compared to the LC request for each of the selected projects. In essence, this analysis, presented in percentage terms, indicated the proportion of total funding coverage. A value of 100 would indicate that, according to the commitment letter and the recommendations put forward by the EAC in the evaluation report, over the period 2015-2017, the LC was to receive the full amount requested in funding.
- 3.7.8 The values obtained for the 30 projects varied widely, with the maximum allocation equivalent to 121 per cent, and the minimum allocation equivalent to 25 per cent. The Nadur LC application (NAO Ref. 46) for the pedestrianisation and embellishment of the village square was the only case where the amount committed or recommended was higher than the amount requested. More specifically, the Nadur LC had requested €107,889 to supplement the €137,000 and €74,000 grant agreements secured, to cover the €318,000 expense. The EAC awarded €40,000 in 2015 and recommended €50,000 for 2016 and €40,000 for 2017. Following queries raised by the NAO, the Chair EAC stated that there had been a misprint in the evaluation report and that this project was not to be awarded any funds in 2017. In fact, as indicated by the Chair EAC, the evaluation sheet made reference to the fact that the EAC intended to award €90,000, allocated over a two-year period. The NAO accepted the explanation provided by the Chair EAC as reasonable.
- 3.7.9 The NAO found no correlation between the ranking, that is, the marks awarded, and the percentage of funding requested that was allocated. Merely by way of example, the project submitted by the Bormla LC (NAO Ref. 6) and the project submitted by the Paola LC (NAO Ref. 48), were both awarded 83 marks in the evaluation process. Yet, while the Bormla LC was given (or recommended) 94 per cent of the funding it requested, that is, €145,000 out of €155,000, the Paola LC received a 48 per cent funding allocation, that is, €100,000 out of €210,000. In comparison, the Xaghra (NAO Ref. 77) and Xgħajra LCs (NAO Ref. 79), which requested substantial sums

of €180,000 and €260,000, respectively, got higher funding commitments and recommendations than the Paola LC, both as a percentage of the requested amount (97 and 85 per cent, respectively), and in absolute terms, despite obtaining much lower scores of 58 and 68, respectively.

3.7.10 The Chair EAC explained that, in the majority of cases, the EAC allocated less funds than requested to the selected projects. Generally speaking, the EAC allocated the amount that the Committee considered necessary for the project to be implemented. This figure was arrived at after having discussed the project estimates with the LC representatives during the clarification meeting and having taken into consideration the professional opinion of the architect serving on the Committee.

Table 11: Funding allocation as a percentage of amount requested

NAO Ref.	LC	Total requested funding (a) (€)	Total committed and recommended funding (b) (€)	b/a *100	Evaluation Marks
46	Nadur	107,889	130,000	120.5	61
27	Kerċem ¹	6,000	6,000	100.0	70
34	Marsascula	150,000	150,000	100.0	75
76	Valetta	30,000	30,000	100.0	71
5	Birżebbuġa	40,306	40,000	99.2	76
77	Xagħra	180,000	175,000	97.2	58
78	Xewkija	26,000	25,000	96.2	68
6	Bormla	155,000	145,000	93.5	83
18	Gudja	16,500	15,000	90.9	58
32	Luqa	149,183	135,000	90.5	79
68	Sigġiewi	99,999	90,000	90.0	75
55	Qormi	54,200	47,000	86.7	76
35	Marsaxlokk	70,000	60,000	85.7	87
79	Xgħajra	260,000	220,000	84.6	68
41	Mosta	30,000	25,000	83.3	61
22	Isla	103,333	85,000	82.3	78
61	Safi	60,000	45,000	75.0	82
20	Hamrun	60,200	45,000	74.8	58
70	St Paul's Bay	48,000	35,000	72.9	58
84	Żejtun	70,000	50,000	71.4	72
39	Mġarr	9,900	7,000	70.7	84
4	Birkirkara	51,120	35,000	68.5	59
82	Żebbuġ (M)	100,000	65,000	65.0	61
42	Mqabba	80,000	50,000	62.5	66
7	Fgura	490,795	300,000	61.1	87
33	Marsa	94,625	50,000	52.8	58
85	Żurrieq	450,000	230,000	51.1	61
48	Paola	210,000	100,000	47.6	83
54	Qormi	92,892	40,000	43.1	62
69	Sliema	60,312 ²	15,000	24.9	78

Notes:

1. The application by the Kerċem LC was submitted on behalf of the Santa Luċija Administrative Committee.
2. The funding requested was not specified in the application form. This amount was based on the cost estimate of a traffic impact assessment, architectural studies, application fees and two pontoons, submitted as supplementary information.

3.7.11 The NAO has two main concerns relating to the allocation of funds among the selected projects. First, the intention to financially support projects beyond 2015 resulted in limitations to funding opportunities in 2016 and 2017. Moreover, this Office is of the opinion that the decision to hard commit funds for 2015 and merely recommend allocations for 2016 and 2017 allowed for a degree of uncertainty with respect to the long-term financing of projects. Second, while the selection of projects was adequately documented, the basis for the allocation of funds among such projects was not. The NAO maintains that the grants allocated, as a percentage of the amounts requested, were not determined by the marks assigned but subjectively determined by the EAC.

3.8 Communication of the Selection Process Results

3.8.1 The LCs that had been successful in securing funding for their projects were announced during a press conference held on 6 March 2015. Letters of commitment, also dated 6 March 2015, outlining the project that had been approved by the EAC for financing and the sum approved for 2015, were distributed to the respective LCs at this press conference. These letters also informed the successful LCs that, in the following days, they would receive a formal invitation to discuss the implementation of the approved project, the funding required for subsequent years and details regarding the signing of a contract regulating the award. No reference was made to the adjudication result being subject to the outcome of an appeals process. It is in this context that ANSEK expressed concern regarding the issuance of letters of commitment prior to the conclusion, or even initiation, of the appeals process.

3.8.2 The NAO noted that the press conference was held at an earlier time than the circulation of the email informing the LCs that their submitted proposals had not been selected for funding. In this Office's opinion, these facts reflect poorly on the management of this stage of the process. The Chair EAC acknowledged that the timing of this email was not ideal, and explained to the NAO that this delay was due to extraneous events related to his position as DCS that took over his work schedule.

3.8.3 The email forwarded to unsuccessful applicants on 6 March 2015 did not provide the LCs with explanations for the final selection decision other than the fact that, out of a total of 83 proposals worth €6.8 million, the EAC had to select projects with a net value of €1 million. Also indicated in this email was the possibility to submit an appeal by 20 March 2015.

3.8.4 The EAC did not publish a list of all the applications that had been submitted, outlining the scope of the project, the funding requested and how each initiative fared in terms of the pre-specified evaluation criteria. Neither did the EAC disseminate a list of those projects selected for funding, details relating to such initiatives and the amounts awarded. This was interpreted by some of the LCs that submitted a letter of appeal as indicative of a lack of transparency.

3.9 Haste of the Process

3.9.1 ANSEK criticised the process as being rushed. To determine the veracity of this statement, the NAO established a timeline of key stages in the process, presented in Table 12 for ease of reference. As rendered evident, the Fund was announced, applications were submitted by the LCs and evaluated by the EAC, and results subsequently communicated in just over two months.

Table 12: Timeline of key events

Date	Details
15 December 2014	First meeting of the EAC
5 January 2015	The members of the EAC were formally appointed by the Minister MJCL
5 January 2015	The circular, bearing details relating to the LC Capital Fund 2015, was issued
8 January 2015	Two information sessions were held, one in Malta and the other in Gozo
21 January 2015	Second meeting of the EAC
30 January 2015	Application submission deadline
11 February 2015	Third meeting of the EAC
16 February 2015	First clarification meeting held between the EAC and various LCs on an individual basis
18 February 2015	The members of the AB were formally appointed by the Minister MJCL
23 February 2015	Fourth meeting of the EAC
23 February 2015	Second clarification meeting held between the EAC and various LCs on an individual basis
24 February 2015	Fifth meeting of the EAC
24 February 2015	Third clarification meeting held between the EAC and various LCs on an individual basis
26 February 2015	Resignation of Chair AB
27 February 2015	Sixth meeting of the EAC
2 March 2015	Seventh meeting of the EAC
2 March 2015	Replacement of Chair AB formally appointed by the Minister MJCL
3 March 2015	Eighth meeting of the EAC
3 March 2015	EAC report concluded
6 March 2015	Press conference wherein Minister MJCL awarded commitment letters to successful LCs
6 March 2015	LCs unsuccessful in their application for funds were informed by means of a generic email

3.9.2 The time allowed for the submission of the applications was limited, with MJCL Circular 2/2015 issued on 5 January 2015, information sessions held on 8 January 2015 and the deadline set for 30 January 2015. According to that stated in the ANSEK press release, the LCs had indicated from the start that the time allocated for submissions was insufficient. Specifically, the LCs had expressed concern that the planning of a capital project with private sector involvement required more time. It was in this context that during the 8 January 2015 information meeting, ANSEK had put forward a request for an extension of the deadline. However, this request was not acceded to. The President ANSEK stated to the NAO that if the process had been appropriately managed, then he expected it to take more time to be seen through. The Chair EAC confirmed that the request for a deadline extension was not agreed to, stating that he, as well as other members of the Committee, were adamant that the stipulated timetable was to be adhered to.

3.9.3 While acknowledging that all LCs were given the same time period to submit their application (with the exception of the case presented in Section 3.2), the NAO is of the opinion that, considering the emphasis placed on private sector collaboration and the attainment of alternative funding sources, the LCs could have been provided with more time to prepare plans and submit their applications. Longer preparation time would have allowed the LCs to submit better-researched and more concrete plans. While not purposely discriminating against any particular LC, the restricted

time limit gave an advantage to the LCs that had already formulated plans prior to the call issued under this Fund.

- 3.9.4 The haste of the process was also manifested in the time allowed for the LCs to submit any revisions to proposals or supplementary information following the individual clarification meetings. This was especially evident in the case of the Lija LC, discussed in Section 3.3. The Lija LC had requested an extension to the deadline for the submission of additional information and the scheduling of a second meeting three days following their clarification meeting. However, the Chair EAC replied to the Council that same day, indicating that the Committee would soon be drawing its conclusions and rejected the requested extension stating that sufficient time had been given.
- 3.9.5 Similarly, the limited advance notice for attendance at the scheduled press conference and the manner by which results were communicated were also deemed indicative of haste. The President ANSEK asserted that mayors were contacted by phone only a day in advance to attend the 6 March 2015 press conference. The issuance of the non-selection email hours after the selected projects were announced at a press conference and the issuance of letters of commitment prior to the conclusion of the process of appeal were considered discordant with good management practice.
- 3.9.6 The President ANSEK attributed the haste of the selection process to the April 2015 local council elections. He stated that this was a common trend observed under either administration. Similarly, the President LCA also alluded to this link, stating that the time allocated was insufficient to meet the requirements set. He insinuated that this process was conditioned by the intention to assist specific LCs in view of the then upcoming elections. The President LCA maintained that an open and fair competition would have required more preparation time to negotiate collaboration with the private sector and to obtain any required permits. In this regard, the Chair EAC negated the claims that the Committee was given instructions to finish the process within a specified timeframe, and the Committee simply sought to be efficient in their work. The NAO maintains that the timeframes indicated a hurried rather than an efficient process, which negatively influenced the perceived and, to a certain extent, the actual fairness of the process outcome.

3.10 Appeals Process

- 3.10.1 The NAO commends the introduction of an appeals process, and acknowledges that this was a new initiative for LC schemes. The three members appointed by the Minister MJCL on 18 February 2015 to sit on the AB were distinct from the members of the EAC. In this respect, the Chair EAC affirmed the independence of the AB, and stated that the only involvement the EAC had in the appeals process was to provide the AB with the necessary documentation. Moreover, the Chair EAC insisted that, contrary to what was stated in Parliament, the AB never met at the DLG premises, but met at the premises of the Malta Arts Council. The minimal contact between EAC and AB was confirmed by the Chair AB.
- 3.10.2 The NAO also acknowledges the resignation of the first appointed Chair of the AB, dated 26 February 2015, following the identification of a possible conflict of interest, and the appointment of an alternative Chair on 2 March 2015 as an indication of a fair appeals process. However, the NAO noted a number of shortcomings during the execution of this process.

- 3.10.3 Only the LCs that did not obtain funding for any of their proposed projects were informed of the option to appeal the EAC's decision, on 6 March 2015. The Chair EAC informed the NAO that the LCs that had secured funding for at least one of their submitted applications were informed at a later stage, during subsequent meetings, of the appeals process. While recognising the fact that the MJCL Circular 2/2015 had already indicated that an appeals process would follow the selection process, and that the Chair EAC asserted that this was also communicated during the press conference held on 6 March 2015, the NAO is of the opinion that all LCs should have been forwarded details of the appeals process in writing on that same day. Moreover, the letters sent to the successful applicants should have indicated that the EAC's decision and the allocation of funds were subject to the outcome of the appeals process.
- 3.10.4 The email dated 6 March 2015, informing unsuccessful LCs of their right to appeal by 20 March 2015, did not indicate the official and address to whom such letters of appeal were to be submitted. In view of the fact that the intended recipient of the appeals was not indicated, the actual recipient of letters of appeal varied from case to case, with submissions made to the Chair EAC, the Chair EAC but referred to as Chair AB, the Chair AB and a generic *to whom it may concern*. In cases where the address of the AB was specified on the letter, this corresponded to that of the EAC. When the Swieqi LC Executive Secretary requested guidance regarding the address of the AB, the Chair EAC replied that the generic DCS MJCL government email account should be used, and he would personally pass on the letter of appeal to the AB. Concern regarding the process of appeal was also voiced by the President ANSEK, who commented on the negative perception that arose from the lack of distinct addresses for the appeals and application processes. The NAO is of the opinion that this administrative process was a shortcoming, detracting from the real and perceived integrity of the process of appeal.
- 3.10.5 The distribution of commitment letters to selected projects prior to the conclusion, or even the initiation, of the appeals process raised concerns regarding the validity and fairness of the process of appeal. The Chair EAC insisted that this was done to inform the selected LCs of the outcome of the process, maintaining that this was deemed necessary at that stage. The NAO is of the opinion that the provisional selection decision (possibly including details of all the projects and their ranking) should have been published, with a proviso that this decision was subject to the outcome of the appeals process, and commitment letters only issued after the conclusion of this process.
- 3.10.6 ANSEK claimed that, since the reasons for failing to obtain funding were not communicated to the LCs, and since the official list of successful applicants and the funds awarded to each project were not made available, it was impossible for the LCs to put forward a strong argument in their appeal. The President ANSEK, while recognising that the introduction of an appeals process was an improvement on previous years, explained that the LCs were not given sufficient information to lodge an adequate appeal. The President ANSEK and President LCA claimed that since the selection was based on a comparative assessment of different proposals, details of the other proposals were a requisite for the LCs to file an effective appeal. Instead, they were limited to information disseminated through the media with respect to the selected capital projects. Similarly, the President LCA stated that a report, providing a summary of the projects' evaluation and justifying the selection decision, should have been circulated.

- 3.10.7 The Chair EAC commented on the fact that the LCs that had asked for feedback were provided with details pertaining to the evaluation of their project and the reasons for non-selection. To this end, the Chair EAC insisted that the LCs did have access to information to allow for a reasonable appeal. On the other hand, the President LCA commented on the fact that details of the evaluation were only forwarded to him after he had queried the justification for the non-selection of the Lija LC's proposals. The NAO noted that the Swieqi LC and Qrendi LC had submitted a written request to the EAC for explanations of why they had not been chosen, to which the EAC forwarded the details noted in the evaluation sheet. However, as noted by the President LCA, this information was only provided on request, and limited to the LC's individual project. The NAO urges future selection committees to disseminate such information to all applicants, as such a practice contributes to the fairness and transparency of such processes.
- 3.10.8 The Chair AB insisted that the Board had adhered to the parameters set in its terms of reference, that is, to hear any appeals lodged by the LCs in relation to the conclusions of the EAC with respect to the 2015 Capital Projects Fund. The AB did not consider the issue of the letters of commitment prior to the conclusion of the appeals process, draw comparisons between projects, or review the selection process in its totality. In this respect, the AB could only repeal decisions with respect to projects under appeal.
- 3.10.9 In total, ten Councils forwarded an appeal, these being the Attard, Birkirkara, Floriana, Ghasri, Lija, Naxxar, Pietà, Qrendi, Swieqi and Ta' Xbiex LCs. The AB decided not to consider the appeal lodged by the Attard LC since it was received after the established deadline of 20 March 2015. The AB met with the remaining nine LCs, allowing them to present their appeal and submit any related documentation. The EAC evaluation of the projects subject to appeal were then reviewed by the AB, and decision letters were issued to each appellant LC, including details of the AB's considerations and its final decision regarding the appeal lodged.
- 3.10.10 The NAO commends the level of detail delved into by the AB as rendered evident in the decision letters. Documented in these letters was all the information considered by the AB in its review and the motivation on which its final decision was based. The thorough presentation of facts indicated that considerable effort and time were expended by the AB in executing its functions. The information reviewed by the AB included the original application details, supplementary documentation made available to the EAC post submission, the observations noted by the EAC in the evaluation sheets and the evaluation report. Furthermore, the appellant LCs were provided with the opportunity to present their case and make any necessary clarifications, through meetings with the AB.
- 3.10.11 In its review of these decision letters the NAO identified certain shortcomings. The NAO noted instances when the AB took into consideration new project details presented by the appellant LC during its meeting with the AB. In the decision report relating to the Birkirkara LC project for the restoration of a train cabin and station within Ġnien tal-Istazzjon (NAO Ref. 3), the AB noted that the LC had proposed the inclusion of a kiosk. This was to be rented to third parties against payment and the maintenance of the existing playground. This Office noted that no reference was made to the kiosk in the original application submitted by the Birkirkara LC (NAO Ref. 3), nor was this cited in the evaluation sheet recorded by the EAC. When queried on this matter, the Chair AB indicated that the inclusion of the kiosk did not influence

the AB's decision to fund this project, since the grant was solely allocated for the restoration of the train cabin.

- 3.10.12 In the case of the Qrendi LC proposal for the construction of a civic centre and upgrade of the surrounding area (NAO Ref. 58), the AB noted that the LC was considering the possibility of using the perimeter as advertising space. The AB noted that this possible revenue stream had not been explored with the EAC in the Council's original submission. According to the Chair AB, the proposal of income through the lease of advertising space did not affect the project's fulfilment of the evaluation criteria, since the original proposal incorporated another revenue stream – the lease of the community hall to other entities. However, the NAO noted that while in the original application the LC had proposed the lease of the community hall to ensure the sustainability of the project, it had not committed to contribute any income to the Fund, whereas during its meeting with the AB, the Qrendi LC had indicated its intention to allocate a share of the revenue from the lease to the Fund.
- 3.10.13 Similarly, in the decision letter to the Swieqi LC, the AB noted that the Council was committed to contributing €36,000 to the Fund over a five-year period, if it attained financing for a building extension for the housing of offices for local sports clubs (NAO Ref. 72). The NAO acknowledges the fact that the Swieqi LC had, following its clarification meeting with the EAC, submitted four signed letters from sports organisations confirming their intention to lease the offices for €100 a month. The Council had indicated that, at full capacity, the building would yield a rental income of €7,200 per annum. However, in its application form, the Swieqi LC had only indicated that surplus revenue could be passed on to the Fund. Moreover, the evaluation sheet compiled by the EAC for this project indicated that this proposal was not allocated any marks for the 'Future Contribution to the Fund' criterion, suggesting that such a definite commitment – a €36,000 contribution over a five-year period – had not been made at application stage. When queried on this matter, the Chair AB indicated to the NAO that the AB was not in a position to ascertain definitively whether the LC had made such a commitment with the EAC.
- 3.10.14 In one particular case, the NAO reviewed documentation that indicated the AB's decision to narrow the scope of a project, proposing the implementation of the more feasible and important element of the submission and limiting funding to only that element. Reference is hereby made to the Birkirkara LC (NAO Ref. 3), where the AB overruled the EAC's decision and awarded €42,000 in funding specifically for the restoration of the train cabin, while eliminating from the project scope the conversion of the station, at the time utilised as a childcare centre, into an interactive train museum. The Chair AB explained to the NAO that the restoration of the train cabin was the main priority of the project, and funds were allocated to avoid the loss of an important national historical artefact, which was, at the time, in a very bad state of repair.
- 3.10.15 The NAO noted an instance when the AB considered new documentation submitted by the appellant LC to the AB that had not previously been presented to the EAC. The site plan for the proposed construction of the Lija LC civic centre (NAO Ref. 30) was considered by the AB, despite not being part of the original submission, and requests for additional information made by the EAC during the clarification meeting were not addressed by the stipulated (though not formally specified) deadline. Moreover, the architect's drawings and related fees were included in the estimate of the project cost, suggesting that the site plans were not yet available at evaluation stage. Following queries raised by the NAO in this respect, the Chair AB explained

that she was unable to determine whether the site plan was new documentation made available only at the appeals stage.

3.10.16 The Chair AB informed the NAO that LCs were requested to present any additional documentation deemed relevant to their project, irrespective of whether this information had been presented to the EAC. Elaborating on this point, the Chair AB indicated that despite this possibility, none of the LCs provided substantial new evidence or documentation. Notwithstanding this, the NAO is of the opinion that appellant LCs should not have been afforded the possibility to submit new information at appeals stage as this may have given rise to circumstances of unfair advantage. Similarly, this Office is of the understanding that at this stage of the process, no changes in project details or scope were to be permitted and applications were to be considered in terms of the information available to the EAC at evaluation stage. Again, departures in this respect detracted from the fairness of the process, particularly when considered in light of other projects that could have benefitted from funding following amendments at the appeals stage.

3.10.17 In its assessment of each application subject to appeal, the AB did not adopt the evaluation criteria utilised by the EAC and their associated weightings, or review the EAC's marking of each submission. Consequently, the AB did not base its final decisions, on whether to overrule or uphold the EAC decisions, on any deviations between the original marks assigned by the EAC and the AB's appraisal. Additionally, the AB failed to expressly outline how its appraisal varied from that of the EAC, or criticise the EAC's understanding and marking of the project, particularly for the four cases where the EAC decision was overruled and funding was allocated by the AB. This assumes particular relevance when one considers the fact that these four projects did not score close to the 58-mark threshold for project selection. The Chair AB confirmed to the NAO that the AB did not employ a marking method or outline discrepancies in their evaluation of a project from that of the EAC's. However, the Chair AB indicated that such differences could readily be determined by comparing the EAC's markings and comments with the AB's considerations.

3.10.18 In effect, the AB assessed each application afresh and based its final decision on an overall judgement of whether the application merited funding. In this respect, the Chair AB indicated to the NAO that the decision to allocate funding, or otherwise, was based on various considerations, including:

- a. the level of preparedness exhibited by the LC in presenting its case to the AB and its consistency in answering the AB's questions regarding the project's fulfilment of the evaluation criteria;
- b. the documentation presented supporting the proposal;
- c. the share of the project cost that the LC was willing to contribute from its budget;
- d. downward revisions of the project estimates at the appeals stage;
- e. the remaining preparatory work required for project implementation;
- f. in-kind contributions from residents;
- g. the importance and need of the project within the locality; and
- h. the AB's own assessment of the project's fulfilment of the evaluation criteria.

3.10.19 The NAO is of the opinion that the project appraisal carried out by the AB should have closely followed the method employed by the EAC, to enable the appeals process to offer a true appraisal of the original selection process, rather than a second alternative assessment. In this respect, while the NAO acknowledges the AB's consideration of the evaluation criteria, the failure to consider each criterion's

weighting, hence its relative importance, and to employ the same marking method as the EAC to allow for structure and comparability in assessments, is considered a shortcoming in the appeals process.

- 3.10.20 The NAO noted that some of its criticism of the EAC – including negatively appraising submissions for not being at an advanced planning stage despite pre-submission guidelines failing to indicate the required level of planning, inconsistent considerations of planning documentation requirements and the inconsistent application of evaluation criteria – was also applicable to the AB. As in the case of the EAC, these shortcomings could be partly attributable to the Fund’s broad scope, with highly divergent projects being eligible for funding. However, it may also be partly attributable to the discretion exercised by the AB and the lack of a systematic framework for the appraisal of applications subject to appeal.
- 3.10.21 For example, in the case of the Lija LC’s civic centre construction project (NAO Ref. 30), the main arguments put forward by the AB supporting its decision not to fund this project was the fact that the site had not yet been devolved and that the LC had failed to submit additional documentation outlining and supporting the project proposal. On the other hand, the AB overruled the EAC decision with respect to the Swieqi LC and recommended the allocation of €40,000, despite the fact that the Council had not yet submitted a MEPA application for a development permit. According to the Chair AB, attaining ownership of a site signified a more basic stage of planning than securing planning permission approval. Moreover, the Chair AB stated that the Swieqi LC’s proposal was more concrete and well planned, citing that the LC owned the land, had already obtained funds for an adjacent property and had invested time and effort in this proposal. However, the NAO noted that the €5,000 funding allocated by the AB to the Ta’ Xbiex LC was meant to finance preliminary studies for a park and ride project (NAO Ref. 73), including topographical surveys, traffic impact assessment studies, designs, artistic impressions and plans, and the submission of a full development application with MEPA. In this case, the AB allocated funding for preparatory work in respect of an application that presented a project still at a conceptual stage, which rendered somewhat inconsistent the argument put forward for the rejection of the Lija LC application.
- 3.10.22 Similarly, the Naxxar LC submission for the construction of a community hall (NAO Ref. 47) was criticised by the AB for not presenting concrete and detailed plans for the intended revenue streams and the future contribution to the Fund as well as the sustainability of the project, despite the fact that the LC had indicated that the rental income from the hall would address these criteria and that discussions with a private entity regarding a rental agreement were underway. On the other hand, the AB allocated €42,000 to the Birkirkara LC for the restoration of the train cabin (NAO Ref. 3), a project which in its restricted form had no income and therefore no future contributions. In the case of the Birkirkara LC project, the Chair AB explained that the necessity of the restoration work and the historical and cultural value of the train cabin justified the funds allocated.
- 3.10.23 The AB chose to allocate funds to the Ta’ Xbiex LC for its proposed park and ride project at Manoel Island (NAO Ref. 73). As outlined in Section 3.6, the EAC opted to allocate funds solely to the Sliema LC for this project, given that the Sliema LC had provided an estimate of the project cost while the Ta’ Xbiex LC had not. In its decision on the matter, the AB commented that rather than submitting two individual applications, these two LCs should have submitted one joint proposal, since the project was beneficial for both localities and could be best planned and

implemented through a collective effort. To allow for such collaboration, the AB granted the Ta' Xbiex LC €5,000, which was lower than the €15,000 allocated to the Sliema LC by the EAC. The NAO is of the opinion that for project management to be shared between these two LCs, the funding allocation should also reflect this division. The Chair AB explained to the NAO that the AB was of the opinion that the funding allocated to the Sliema LC by the EAC already covered a substantial amount of the cost of the preparatory work. The NAO is cognisant of the fact that the AB was effectively constrained in terms of the amount of funding that it could allocate to the Ta' Xbiex LC, specifically in view of the estimate submitted with respect to this project by the Sliema LC, valued at €19,250.

- 3.10.24 The NAO noted that the AB narrowly interpreted its assigned terms of reference, since the Board limited its review to applications subject to appeal. Certain claims or requests for investigations presented in the letters of appeal remained unaddressed. By way of example, in its letter of appeal, the Swieqi LC challenged the basis of rejection cited by the EAC with respect to the proposed road resurfacing project (NAO Ref. 71). The Swieqi LC questioned whether the two successful road resurfacing works projects, proposed by the Marsa and Gudja LCs, had obtained private sector financing and had made a commitment to provide future contributions to the Fund. Similarly, in its appeal, the Pietà LC questioned how resurfacing works and the installation of Belisha beacon lights could possibly entail private sector involvement and be sustainable. In this respect, by simply reviewing the applications subject to appeal and considering whether the EAC decision was to be upheld or overruled, the AB did not address the concerns raised in these letters of appeal and determine whether the same requirements and level of scrutiny was applied across other cited projects. In a meeting with the NAO, the Chair AB asserted that such references to other successful projects and to consistency in the EAC's appraisal of projects were not the focus of the individual meetings that the AB organised with the LCs. Moreover, the Chair AB asserted that, in the Board's understanding, such comparisons were beyond the scope of its terms of reference.
- 3.10.25 The NAO acknowledges the introduction of the appeals process as a positive development. However, this Office noted several shortcomings in the process. These included the EAC's failure to adequately inform all LCs of the appeals procedure following the conclusion of the selection process and the intended recipient of appeals lodged. Other shortcomings related to the distribution of letters of commitment prior to the conclusion of the appeals process and the limited information made available to the LCs, which constrained the effectiveness of the appeals lodged.
- 3.10.26 The NAO noted that the AB narrowly interpreted its assigned terms of reference, solely reviewing the applications subject to appeal and refraining from addressing claims relating to other submissions that were granted funds. In this respect, the AB failed to determine whether the same requirements and level of scrutiny was applied by the EAC across other cited projects.
- 3.10.27 This Office's attention was also drawn to the fact that the AB allowed the submission of new documentation, significant alterations in terms of project details and changes in project scope at the appeals stage. The NAO is of the understanding that such departures were not to be permitted and that applications were to be considered on information available at application stage. Shortcomings in this respect detracted from the fairness of the process, particularly when seen in the context of other projects that could have benefitted from funding following amendments at the appeals stage.

- 3.10.28 Although the AB made reference to the criteria adopted by the EAC, the AB did not utilise the same marking system, which would have provided structure and comparability between assessments. This Office is of the opinion that the project appraisal carried out by the AB should have reflected the methodology utilised by the EAC, in order to allow for an appraisal of the original selection process, rather than a second alternative assessment.
- 3.10.29 Finally, the NAO noted that some of the criticism directed at the EAC could readily be applied to the AB. This included the negative appraisal of submissions that were not at an advanced planning stage despite pre-submission guidelines failing to indicate the required level of planning, inconsistent considerations of planning documentation requirements and the inconsistent application of evaluation criteria. As in the case of the EAC, these shortcomings could be partly attributable to the Fund's broad scope, with highly divergent projects being eligible for funding. However, it may also be partly attributable to the discretion exercised by the AB and the lack of a systematic framework for the appraisal of applications subject to appeal.

Chapter 4

Conclusions and Recommendations

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4.1 Facts of the Case

- 4.1.1 The Capital Projects Fund was launched on 5 January 2015, and communicated to the LCs through MJCL Circular 2/2015. The Fund, amounting to €1,000,000, was intended to finance capital projects that added value to the social aspect of localities and addressed government priorities. Preference was to be given to projects sustained through alternative financing mechanisms, such as PPPs, donations and sponsorships, which would serve to supplement central government funding. Although not a determining factor, due consideration was to be given to projects contributing a financial return to the Fund in the future. The deadline for the submission of proposals was set at 30 January 2015. Further information about the Fund was provided at the information meetings organised on 8 January 2015.
- 4.1.2 The Minister MJCL appointed the EAC to assess the LCs' Capital Projects Fund applications. Following the submission deadline, the EAC met each LC individually for clarification on the applications submitted. The EAC assessed each project against pre-established criteria listed in MJCL Circular 2/2015. The results of the evaluation process were recorded in a report, dated 3 March 2015. Details of the selected projects, including the corresponding LC, a brief description, and funding recommendations for 2015, 2016 and 2017 were presented in the evaluation report.
- 4.1.3 The outcome of the evaluation process was announced at a press conference held on 6 March 2015. Commitment letters indicating the sum approved by the EAC for 2015 were distributed to the selected LCs. Later that day, the LCs that had not secured funding for any of their submitted proposals were forwarded an email informing them of the outcome of selection and of their right to appeal by 20 March 2015.
- 4.1.4 Subsequent to these developments, on 23 March 2015, a request for the investigation of the selection and appeals processes for the allocation of grants under the Local Councils' Capital Projects Fund was put forward to the NAO. On 10 April 2015, the AG informed Chair PAC of the terms of reference established for this investigation, which included the review of the process of application, selection, the communication of results and the appeals procedure, as well as the appointment of the EAC and AB.

4.2 Conclusions and Recommendations

- 4.2.1 In its review of the entire process leading to the eventual award of funds and the subsequent appeals procedure, the NAO noted certain positive aspects and various shortcomings. Points raised in this respect pertained to the different stages of the process as illustrated hereunder.
- 4.2.2 On a positive note, the NAO is of the opinion that the EAC was appropriately set up, through formal letters of appointment and clearly established terms of reference. Moreover, this Office noted that the composition of the EAC allowed for varied and comprehensive competencies, with the number of members on the Committee allowing for a more objective appraisal of proposals.
- 4.2.3 The deadline for the submission of applications was complied with by the participating LCs with respect to all 85 project proposals submitted. Notwithstanding this, the NAO noted that the application submitted by the Kirkop LC was devoid of the majority of information required; yet, it was deemed eligible by the EAC. This concern was further accentuated by the fact that it was the Chair EAC who informed the Kirkop LC of the possibility to submit additional information at a later stage beyond the stipulated deadline. The NAO is of the opinion that the fairness of a selection process is assured through the equal treatment of all participants, in this case, the LCs. The enforcement of a uniform submission deadline is one such aspect of equal treatment, intended at ensuring that all LCs are allocated the same time in preparing for a submission. The NAO maintains that the EAC should have insisted that all documentation be submitted by the set deadline and not allow for further submissions at a later stage, as was the case with the Kirkop LC project application. Finally, this Office considers this point valid irrespective of the Kirkop LC's failure to secure funding, especially when considering the limited time allowed for the submission of applications and the declined request for a deadline extension made by ANSEK.
- 4.2.4 The NAO noted that the information communicated to the LCs at pre-submission stage was at times ambiguous and deemed incomplete in relation to certain aspects of the selection process. In this sense, this Office's concern was drawn to the fact that there was no clear indication as to how funds were to be disbursed across projects, nor was any capping specified on a per project basis. Furthermore, the NAO deemed the importance attributed to the involvement of the private sector as ambiguous, while the implication of potential alternative sources of funding was not specified and was subsequently inconsistently appraised. In addition, the supplementary supporting documentation required by the EAC was not specified at the initial stages of the process, resulting in limited time available to the LCs to submit such information.
- 4.2.5 The NAO commends the organisation of information sessions, recognising this as a positive initiative to allow the LCs to clarify any queries. However, to mitigate any ambiguities and ensure that all LCs have access to the same complete information, the NAO recommends that, following the information sessions, a summary of the salient points is circulated.
- 4.2.6 During the individual clarification meetings, the LCs were allowed to submit further documentation and were encouraged by the EAC to make improvements to their proposals. Changes effected after the submission deadline were integrated in the submissions as if they were part of the original application, consequently bearing an

impact on the evaluation and ranking of projects. The possibility of implementing changes at this late stage in the process allowed the EAC ample discretion, the extent of which the NAO was unable to determine due to the lack of documentation retained with respect to meetings held by the Committee with individual LCs. In this Office's opinion, the post-submission changes, lack of documentation of meetings held and the discretion afforded to the EAC detracted from the fairness of the process. The assessment of applications on the information submitted by the stipulated deadline would have allowed for greater equality between projects and ensured process transparency. The NAO is of the opinion that good practice entails scheduling such clarification meetings and assisting the interested LCs prior to the submission deadline.

- 4.2.7 This Office's attention was drawn to various issues of concern relating to the evaluation of the applications. Inconsistencies were noted in terms of the documentation deemed necessary by the EAC, with certain cases being penalised for not submitting supplementary documentation, while in other cases, funds were awarded despite the fact that similar documents were not made available. The NAO also noted an element of ambiguity in the interpretation of certain evaluation criteria, specifically with regard to the private sector involvement criterion. Here, projects were favourably scored for sourcing alternative public sector funding, which in this Office's opinion, cannot be classified as private sector involvement. Similarly ambiguous was the consideration of revenue from advertising and the payment to contractors by instalment as a form of private sector involvement. Another issue noted by the NAO related to deficiencies in the reliability of the scoring system employed, with projects bearing similar characteristics rated differently. This Office is of the opinion that this is partly symptomatic of the absence of a clear and systematic marking scheme, compounded by real differences between projects not captured in the documentation retained. The NAO is cognisant of the challenge presented to the EAC in the adjudication of widely divergent projects. In this respect, this Office is of the opinion that future schemes should be more narrowly focused, addressing specific priorities.
- 4.2.8 The evaluation criteria to be applied in the selection process were determined by the EAC and communicated to all LCs in the MJCL Circular 2/2015. The EAC subsequently decided on the weighting of each criterion prior to the submission deadline and the opening of applications. Each application was assessed against these criteria, and marks accordingly allocated. Projects that obtained at least 58 marks were selected for funding. This was adhered to in all cases except for the proposal put forward by the Ta' Xbiex LC. In this case, the Sliema LC was awarded funds for a project similar to that proposed by the Ta' Xbiex LC, while the latter was not. After having reviewed the merits of this case, the NAO is of the opinion that the justification cited by the EAC for its decision was reasonable.
- 4.2.9 In the evaluation report, the EAC proposed funding recommendations that totalled €1,000,000, €975,000 and €470,000 for 2015, 2016 and 2017, respectively. The NAO has two main concerns in this regard. While this Office acknowledges that capital projects require long-term financing, the intention to support projects beyond 2015 results in limitations to funding opportunities in 2016 and 2017. Moreover, this Office is of the opinion that the decision to commit funds for 2015 and merely recommend allocations for 2016 and 2017 allowed for a degree of uncertainty for the LCs with respect to the long-term financing of projects. The NAO is cognisant of the fact that government budgetary allocations are made on a year-by-year basis, hence impeding provisions for 2016 and 2017. This conditioned the EAC's ability to commit funds beyond 2015. In addition, while the selection of projects was adequately

documented, the basis for the allocation of funds among such projects was not. The NAO maintains that the grants allocated, as a percentage of the amounts requested, were not determined by the marks assigned or any other systematic approach, but subjectively determined by the EAC following input by experts on the Committee.

- 4.2.10 On 6 March 2015, a press conference was organised to announce the selected projects. At this event, letters of commitment were distributed to the LCs that had secured funding. No reference was made to the adjudication result being subject to the outcome of an appeals process. The NAO noted that the LCs that had not attained funding were informed of this outcome and the possibility to appeal through an email sent a few hours after the press conference. In the NAO's opinion, these facts reflect poorly on the management of this stage of the process.
- 4.2.11 The criticism that the process was completed in haste was reflected in various stages of the process. The NAO noted that the time allowed for the submission of applications was limited, particularly in view of the emphasis placed on private sector collaboration and the attainment of alternative funding sources. Furthermore, the request for an extension of the submission deadline, put forward by ANSEK, was not accommodated. The hurriedness of the process was also manifest in the time allowed for the LCs to submit any proposal revisions or supplementary information following the individual clarification meetings, the limited advance notice for press conference attendance and the manner by which the results were communicated. The NAO maintains that the timeframes indicated a hurried rather than an efficient process, which negatively influenced the perceived and, to a certain extent, the actual fairness of the outcome.
- 4.2.12 The NAO acknowledges the introduction of the appeals process as a positive development. However, this Office noted several shortcomings that characterised the process. These included the EAC's failure to adequately inform all LCs of the appeals procedure following the conclusion of the selection process and the intended recipient of appeals lodged. Other shortcomings related to the distribution of letters of commitment prior to the conclusion of the appeals process and the limited information made available to the LCs, which constrained the effectiveness of the appeals lodged. The NAO noted that the AB narrowly interpreted its assigned terms of reference, solely reviewing the applications subject to appeal and refraining from addressing claims relating to other submissions that were granted funds.
- 4.2.13 The NAO noted that the AB allowed the submission of new documentation, significant alterations in terms of project details and changes in project scope at the appeals stage. This Office is of the understanding that such departures were not to be permitted and that applications were to be considered on information available at application stage. Shortcomings in this respect detracted from the fairness of the process, particularly when seen in the context of other projects that could have benefitted from funding following amendments at the appeals stage. Although the AB made reference to the criteria adopted by the EAC, the AB did not utilise the same marking system, which would have provided structure and comparability between assessments. This Office is of the opinion that the project appraisal carried out by the AB should have reflected the methodology utilised by the EAC, in order to allow for an appraisal of the original selection process, rather than a second alternative assessment. Other shortcomings could be partly attributable to the Fund's broad scope, with highly divergent projects being eligible for funding. However, these may also be partly attributable to the discretion exercised by the AB and the lack of a systematic framework for the appraisal of applications subject to appeal.

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