

# Follow-up Reports by the National Audit Office 2018





# Follow-Up Audits 2018



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# Foreword

The existence of an effective follow-up mechanism on the recommendations made by Supreme Audit Institutions (SAIs) constitutes one of the key principles on which the Mexico Declaration on the Independence of SAIs is based. No one disputes the fact that one of the main measures of effectiveness of every SAI is the level of implementation of the recommendations it puts forward in response to the findings and conclusions of its audit reports and assignments.

Following last year's successful launch of the Follow-Up Report, this year the National Audit Office has once again identified a number of audits carried out in recent years with a view of monitoring the implementation or otherwise of the main recommendations made therein. This year, these audits pertained to the Financial and Compliance, the Performance Audit and the Information Technology Audit Sections.

Through such publication we attempt to provide a higher degree of assurance to Parliament and to our citizens that ultimately public funds are being used in the best manner possible and in line with prevailing financial rules and regulations. This is obviously correlated to the degree of adequate corrective action by audited bodies to take on board, in a timely and efficient manner, our recommendations, thereby ensuring that those cases where our reports had identified shortcomings or lack of control in the use of public funds are duly addressed.



Charles Deguara  
Auditor General

October 2018

## List of Abbreviations

A&E	Accident and Emergency
AAR	Annual Audit Report
BCP	Business Continuity Plan
CBE	Capacity Building Exercise
CCTV	Closed-Circuit Television
CD	Compact Disc
CDV	Commission on Domestic Violence
CEO	Chief Executive Officer
CIO	Chief Information Officer
CMS	Case Management Software
CPAS	Clinical Patient Administration System
CPSU	Central Procurement and Supplies Unit
CPV	Child to Parent Violence
CRM	Customer Relationship Management
DA	Direct Action
DO	Direct Order
DRP	Disaster Recovery Plan
DV	Domestic Violence
DVU	Domestic Violence Unit
DZ	Development Zone
ECDL	European Computer Driving License
EN	Enforcement Action
EO	Enforcement Officer
EODR	End-of-Day Report
E-Pos	Electronic Point of Sale
EPRs	Electronic Patient Records
ERA	Environment and Resources Authority
ESI	Emergency Severity Index
EU	European Union
FC	Financial Controller
FfMS	Foundation for Medical Services
FSWS	Foundation for Social Welfare Services
GDP	Good Distribution Practice

GÉANT	Gigabit European Academic Network
GES	Għabex Emergency Shelter
GFMS	Government Financial and Management System
GMICT	Government of Malta Information and Communication Technology
GP	General Practitioner
HM	Heritage Malta
HO	Head Office
HPDPC	Health Promotion and Disease Prevention Clinic
ICT	Information and Communications Technology
IMU	Information Management Unit
IPV	Intimate Partner Violence
IT	Information Technology
ITS	Institute of Tourism Studies – Malta
ITT	Invitation to Tender
KPI	Key Performance Indicators
LA	Letter of Acceptance
LAN	Local Area Network
MA	Medicines Authority
MCH	Mount Carmel Hospital
MDH	Mater Dei Hospital
MEAE	Ministry for European Affairs and Equality
MEH	Ministry for Energy and Health
MEPA	Malta Environment and Planning Authority
MEW	Ministry for Energy and Water Management
MFCS	Ministry for the Family, Children’s Rights and Social Solidarity
MFEI	Ministry of Finance, the Economy and Investment
MFIN	Ministry for Finance
MHS	Mental Health Services
MGA	Malta Gaming Authority
MITA	Malta Information Technology Agency
MLK	Martin Luther King
MTIP	Ministry for Transport, Infrastructure and Capital Projects
MTI	Ministry for Transport and Infrastructure



## List of Abbreviations

NAO	National Audit Office
NAS	Networked Attached Storage
NHSS	National Health System Strategy for Malta
NMA	National Museum of Archaeology
NSO	National Statistics Office
OA	Office Automation
ODZ	Outside Development Zone
PA	Planning Authority
PAHRO	Public Administration Human Resource Office
PC	Personal Computers
PHC	Primary Health Care
PHCD	Primary Health Care Department
PLR	Players' Liability Reporting
POYC	Pharmacy of Your Choice
PPR	Public Procurement Regulations
PS	Permanent Secretary
PSMC	Public Service Management Code
RFID	Radio-Frequency Identification
RPO	Recovery Point Objective
RTO	Recovery Time Objective
SLA	Service Level Agreement
SMEs	Small and Medium Enterprises
SMS	Short Message Service
SOP	Standard Operating Procedure
SW	Social Worker
UoM	University of Malta
UPS	Uninterrupted Power Supply
VAT	Value Added Tax
VLAN	Virtual Local Area Network
WAN	Wide Area Network
Wi-Fi	Wireless fidelity
ZfP	Zero foot Print

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Follow-Up Reports by the  
Financial and Compliance Audit Section

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# Heritage Malta

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## Background

In its Annual Audit Report (AAR) for 2013, the National Audit Office (NAO) published the outcome of an audit carried out at Heritage Malta (HM), which mainly focused on determining the existence of an adequate system of internal controls on revenue collection and assessing its operating effectiveness.

The audit had revealed a weak internal control system whereby checks carried out were considered to be ineffective in a number of areas, posing risks which could lead to both intentional as well as unintentional errors.

## Audit Scope and Methodology

The scope of this follow-up was to identify whether Management has acted upon and accordingly implemented the recommendations put forward by NAO in the 2013 Audit Report.

Meetings, vetting of supporting documentation substantiating Management claims as well as site visits were undertaken to identify any developments made.

The developments pertaining to each observation which may exist in the process leading to the resolution of the issue, are indicated accordingly.

## Key Issues

### ***Weak Internal Control System***

*The checks which were carried out by Head Office (HO) and Site Executives were deemed to be limited in a number of areas, leaving ample room for abuse. The main concerns noted during the audit were:*

- a. no independent ticket scanning;*
- b. high level of dependence on the integrity of front office staff; and*
- c. a significant number of cancellations were not supported by the actual physical ticket and respective justification.*

*Management was encouraged to develop its own internal control procedures, having regard to specific circumstances and characteristics. These were to be embedded in the operations and form part of the overall culture, capable of responding quickly to evolving risks and reporting immediately to appropriate levels any identified weaknesses and control failings. Moreover, staff and operations were to be supervised by competent officers who understand the processes and procedures that are in place, and who take appropriate action to address any shortcomings in a timely manner.*

## **Developments: *Partly Implemented***

In its Annual Report for financial year ending 31 December 2016, HM declared that it started to reap the benefits of the investment in electronic systems, including an integrated software for financial management, coupled with turnstiles, closed-circuit televisions (CCTVs) and new point of sale systems integration. However, following verifications carried out, including an onsite inspection at Għar Dalam, Tarxien Temples, National Museum of Archeology (NMA) and Fort St. Elmo, it transpired that certain concerns still prevail and, as explained further down in the report, a number of recommendations put forward by NAO were up to date only partly implemented.

## **Control Issues**

### ***Ticketing System***

#### **Ticketing Controls**

*The ticketing system in place offered tour operators and language schools the flexibility of printing tickets at their own leisure. Moreover, ticketing controls were limited to those exercised by front office staff, the success of which depended very much on the integrity of the same employees. The following had transpired:*

- a. As at time of audit, neither turnstiles nor any other scanning devices were in place except for Hagar Qim Park and Mnajdra Temples, the Palace Armoury and State Rooms as well as Skorba and Ta' Hagarat.*
- b. Reliance was also placed on front office staff in cases involving groups whereby these had to be physically counted. Given that the system allowed for the issue of one single ticket, any unutilised 'entrance passes' may be used on a different occasion, or voided and refunded.*

*Whilst it was acknowledged that HM was considering the option of integrating the ticketing system with the eventual use of turnstiles for all sites, the matter had to be given due importance. In the meantime, the implementation of segregation of duties was recommended.*

## **Developments: *Partly Implemented***

From meetings held it was noted that turnstiles were only installed at another four locations, namely NMA, St. Paul's Catacombs, Fort St. Elmo and Fort St. Angelo, with those implemented at the latter site still not in operation by the conclusion of the audit. NAO was informed that a new project, entailing the installation of turnstiles and CCTVs at Hagar Qim Park and Mnajdra Temples, is currently also in the pipeline and is expected to be finalised by mid-2018. Furthermore, these are to be set up at Tarxien temples in the near future. However, due to building restrictions, HM will not be implementing turnstiles at Ġgantija Temples, despite this being the most popular site<sup>1</sup>. Moreover, other sites such as the Malta Maritime Museum, Inquisitor's Palace, Domus Romana as well as the Natural History Museum, will also not be equipped with turnstiles, mainly due to the low rate of visitor flow and also building restrictions.

From a site inspection carried out at NMA on 4 April 2018, NAO noted that the turnstiles installed are not reaching their full potential since these are merely surrounded by wooden barriers which can be easily moved by visitors, thus gaining free access to the museum. In this regard, it was stated that this "mobile setup" enables the entity to remove turnstiles from time to time during site events. It was also claimed that turnstiles and barriers cannot be fitted permanently to the floor for conservation purposes.

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<sup>1</sup> As per 2017 statistics, total number of paying visitors amounted to 202,049.

Inspections performed at two locations where turnstiles have not yet been installed<sup>2</sup> also revealed that, in the case of groups, the practice of physically counting the number of individuals and issuing one ticket is still in place. This implies that the risks of genuine errors, as well as that of intentional abuse, have still not been mitigated. The NAO is informed by Heritage Malta CEO that, as regards scanning devices, all museums and sites have been equipped with infrared scanners, hence reducing the risk of human error.

### Voided Tickets

*In 2013, there were 5,143 instances involving cancellation of tickets, 4,035 of which related to cancellations made by travel agents and language schools. In this case, since cancellation is effected by the same purchaser, no justification is required. However, in all other instances, the respective site officers were to provide HO with the reason for voiding and forward to the latter the physical ticket. The following transpired:*

- a. Out of a sample of 109 voiding occurrences selected for review, only in 50 instances was the email with the justification traced, and just 37 of them where the actual cancelled ticket was located. Auditors were informed that no such records are maintained in the case of tickets issued and voided by HO staff. However, supporting documentation was also not provided for the remaining instances of cancellation by other HM employees.*
- b. Executives on site, as well as other HO staff, amounting to a total of 18 individuals, together with an Administrator using a generic account, are allowed to void tickets.*

*It was recommended to limit the facility of cancelling tickets already 'marked as entered' to the least possible staff members, ideally located at HO. In addition, all requests for cancellation of tickets were to be covered by an email, including a valid justification, and kept for future reference.*

### **Developments: Insignificant Progress**

The 2017 voided tickets report contained 8,938 unique<sup>3</sup> instances of ticket cancellations; an increase of 74% when compared to 2013. A total of 6,795 of the said cancellations pertained to tickets purchased by travel agents and language schools, thus in actual fact required no justification. The remaining 2,143 instances related to tickets voided by HM staff. NAO was informed that such cases should now be all covered by an email including a valid justification, as well as the original ticket. However, as shown in **Figure 1**, during a review of a random sample of 92 voiding occurrences, the cancelled ticket together with a supporting justification were only found in 19 instances.

According to HM, at times, voided tickets are not physically available since these would not have been issued, either due to printing problems or a system error. However, this justification can only be deemed as acceptable in 23 out of a total of 48 instances whereby the ticket was not located. This implies that, in the remaining 25 instances, the respective officer voiding the ticket did not forward it to HO despite that such tickets had actually been issued.

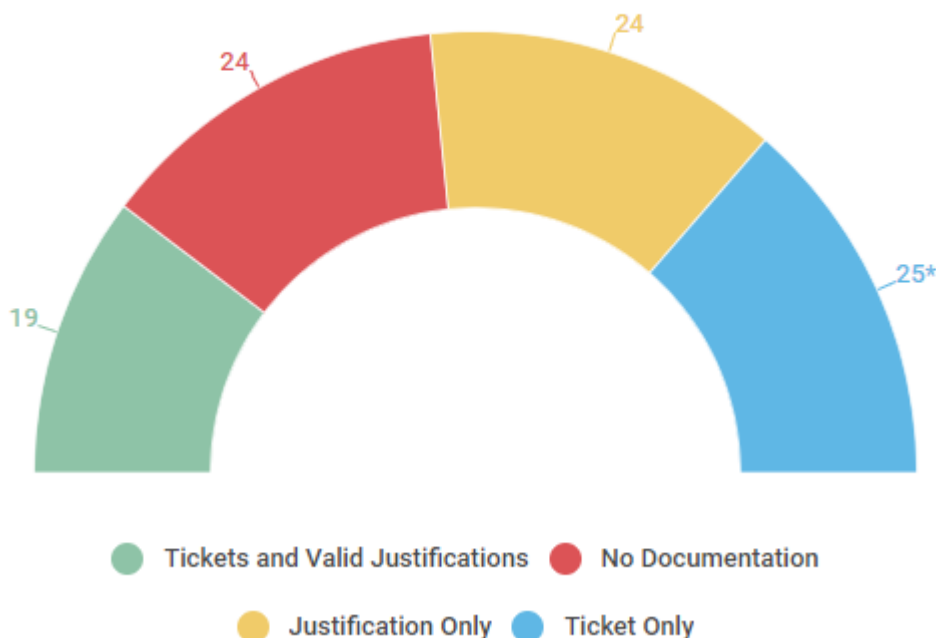
Furthermore, it was noted that the justifications provided concerning the cancellation of nine tickets, were only requested by HO whilst this follow-up audit was being carried out.

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<sup>2</sup> On 4 April 2018, at Tarxien Temples and Għar Dalam.

<sup>3</sup> The original voided tickets report as provided by HM contained 9,439 voiding instances. However, upon analysing such report, it was noted that a total of 501 tickets were included therein more than once, implying that these were repeatedly cancelled. Duplicate ticket numbers were thus eliminated from the report to identify the actual number of tickets which have been voided.

**Figure 1: Results of Sampled Voiding Occurrences**



With respect to voiding rights, NAO was informed that the number of individuals having such right has been reduced from 18 to 13, with the latter figure being composed of 7 Site Executives and 6 individuals from HO. However, from a review of the list of voided tickets provided for audit purposes it transpired that, in 2017, there were a further 10 individuals who had actually cancelled tickets. Queries raised in this regard revealed that staff working at Fort St. Elmo and NMA had the right to void tickets.

In the circumstances, it was concluded that insignificant action has been taken by Management on the recommendations put forward by NAO with respect to voiding of tickets.

### **Reconciliation of End-of-Day Reports**

*The End-of-Day Report (EODR) constitutes a check performed by each cashier at the end of the respective shift, wherein the cash and credit card sales are added and the total is inputted into the system. This is then reconciled, or otherwise, by the same system and a report is generated accordingly.*

*The fact that cashiers have access to the 'Ticket History' screen, against which they can verify the amount of cash in their respective tills, impinges on the effectiveness of the above-mentioned control since any favourable discrepancies may not be reported.*

*Segregation of duties is one of the fundamental internal controls. Thus, only Site Executives are to be given access to the 'Ticket History' screen for control purposes.*

\*In two instances, the ticket was in photocopy.

**Developments: Fully Implemented**

Stricter controls are now being applied whereby, although cashiers still have access to the 'Ticket History' screen, this is now only displaying the number of tickets sold, without showing the respective prices.

As a result, front office staff no longer has the possibility of reconciling the cash in their respective tills to the sales performed during the day. This is being carried out electronically through a system which has been specifically implemented<sup>4</sup> across the board.

**Physical Inspections**

*Physical inspections carried out by Site Executives comprising reconciliations between EODRs and cash held in the respective cash registers were not proportionally distributed across the sites.*

*A formal audit trail schedule is to be prepared, taking into consideration the turnover of each location and all front office staff employed therein, thus ensuring that resources, as well as checks, are targeted towards those sites with higher turnover and cover different staff members as much as possible. Moreover, the scope of such reconciliations may be widened to incorporate more certifications, which could be governed by a Standard Operating Procedure, explaining what is to be performed during the inspections. This will help achieve consistency and ensure that audit trails are carried out in a more comprehensive manner.*

**Developments: Partly Implemented**

During 2017, a total of 296 inspections were carried out over the major sites as disclosed in the table hereunder. Whilst NAO acknowledges such improvement, it is of the opinion that certain sites, such as the Ġgantija Temples in Gozo which had the highest number of visitors in 2017, merit further attention.

**Table 1: Physical Inspections held at Major Sites**

Site/Museum	Number of Physical Inspections
Domus Romana	23
Fort St Angelo	15
Fort St. Elmo	15
Ghar Dalam	28
Gozo Sites	10
Hagar Qim Temples	24
Hypogeum	18
Inquisitor's Palace	24
Malta Maritime Museum	22
National Museum of Archaeology	21
Natural History Museum	24
Palace Armoury	17
St. Paul's Catacombs	23
Tarxien Temples	32

<sup>4</sup> This procedure has been confirmed by NAO during inspections carried out at four HM sites on 4 April 2018.

## Recovery Tickets

Recovery tickets consist of manual tickets provided to sites, intended to be used in cases of system failure. Through verifications performed by NAO, the following matters were noted:

- a. *In view that no adequate stock records of recovery tickets were maintained by both HO and the individual sites, correctness of the outstanding tickets in hand could not be confirmed. Moreover, while stock in hand was duly reported to HO by Site Executives on a weekly basis, no independent inspections were carried out by the former to ensure correctness of reported balances.*
- b. *Details on recovery tickets, including price, number and type of visitor, are being disclosed manually. Once access to the system is restored, the ticket barcode is scanned and ticket details are recorded therein physically. Thus, once again, accuracy of the inputted data depends on the integrity of front office staff.*

*A proper stock control system as laid down in Treasury Circular No. 6/2004 is to be adopted. Audit trails performed by the Site Executives are to include a physical count, indicating the number of recovery tickets in hand, which is then to be verified by HO with that declared in emails submitted. Moreover, justifications are to be provided to the latter whenever manual tickets are used.*

*Further to the above, in order to reduce the manual intervention in the use of recovery tickets, HM may consider printing different sets of coloured tickets, with each colour corresponding to a particular category of visitor. This would enable more control to be exercised, thus reducing the possibility of abuse.*

### **Developments: Partly Implemented**

By end of September 2017, the use of recovery tickets was still considered high as a total of 2,032 were utilised since the beginning of that year. As from October 2017, the servers of the ticketing system started being maintained at a data centre. This change helped in reducing the need of using recovery tickets as only 171 were availed of in the last three months of 2017. Furthermore, the new policy adopted as from March 2018, that each site is provided with an internet key<sup>5</sup>, will limit system downtime to electricity failure, thus assisting in keeping such use to the bare minimum.

A physical verification of the amount of recovery tickets in hand is now being carried out. However, instances were encountered whereby recovery tickets' reconciliations were only compiled when such recovery tickets were resorted to, despite an internal memorandum specifying that these are to be prepared on a monthly basis<sup>6</sup>. By way of example the last recovery tickets' reconciliation traced at NMA during an onsite inspection held on 4 April 2018, was dated November 2017.

Notwithstanding that in its comments back in 2014, Management agreed with NAO's suggestion of having pre-printed coloured recovery tickets, as it believed that this will close the loophole further, this recommendation was not implemented and recovery tickets were still being filled in manually.

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<sup>5</sup> Used in cases when the internet system is not functioning.

<sup>6</sup> This requirement was introduced with effect from 1 September 2017 following an issue of an internal memorandum.



### **Gift Shops' Stock**

*With effect from 2013, souvenir shops situated at the various museums are manned in-house by HM staff rather than leased to third parties.*

*Whilst discrepancies identified in a stock count carried out at NMA were immaterial, those identified at Ġgantija Temples were considered as significant compared to the actual stock on site. Thus, albeit the shop had been open for public, as at time of audit, stock was not covered by updated and reliable stock records.*

*Stock-takes and update of records are to be carried out on the delivery of goods, in order to ensure adequate control over such items at all times.*

### **Developments: Partly Implemented**

A new electronic system was introduced for the maintenance of all the gift shops. However, the continual discrepancies reported between actual stock quantities and stock records following stock takes<sup>7</sup> held in March, July/August and December, which at times were relatively material, question the effectiveness of the implemented system.

### **Conclusion**

Although efforts have been made by HM to implement a number of the recommendations presented in the 2013 AAR; certain issues still prevail. In this regard, NAO recommends that pending issues be addressed without further delay thus ensuring higher compliance, as well as enhanced efficiency within HM.

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<sup>7</sup> Stock takes are carried out by the Site Executives assisted by the Storekeeper and other staff.

# Mount Carmel Hospital - Expenditure

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## Background

The National Audit Office (NAO) published a report entitled 'Mount Carmel Hospital' in the Annual Audit Report of 2011. The objectives of this audit were to verify that during the financial year under review expenditure incurred was accurate, complete and free of material misstatement, as well as to ensure that adopted procedures in procurement were adequate and in adherence to the Public Procurement Regulations (PPR) and other relevant circulars.

The audit of expenditure carried out at Mount Carmel Hospital (MCH), an entity falling within Mental Health Services (MHS), mainly revealed that procurement regulations were not always followed and that certain services were not covered by a formal agreement. Other shortcomings, such as payments not adequately substantiated, were also noted.

## Audit Scope and Methodology

The objective of the follow-up audit was to determine whether Management had implemented the appropriate corrective measures to address the issues raised, in line with the recommendations made by the NAO in the previously highlighted Report.

An introductory meeting with Management was held in order to obtain an update of the actions taken to address the highlighted shortcomings. The exercise also included an analysis of the supporting documentation provided, assessing the extent of the implementation progress, as well as the effectiveness of the said actions. For reference purposes, a summary of the followed up findings and respective recommendations, which featured in the 2011 Report, are shown in grey text below.

The developments pertaining to each issue are indicated according to a set scale describing the possible stages, which may exist in the process leading to the resolution of the issue.

## Key Issues

### *Nursing Services*

*The Department of Contracts approved procurement of nursing services through a negotiated procedure, for a total value of €740,000, from 1 December 2010 to 31 May 2011. However, the procurement process, which merely consisted of a call for quotations, did neither comprise the setting up of an ad hoc committee as required by law, nor was consultation with any potential service providers evident.*

*Furthermore, a formal adjudication report was not drawn up following the call for quotations dated 2 November 2010 and the agreement between both parties was not formalised.*

*After the expiry of the negotiated procedure, two departmental tenders were awarded up to a maximum expenditure of €120,000 each. A retrospective approval, amounting to €947,000, was obtained from Director General Contracts on 22 August 2012, i.e., when the audit was being finalised. Since total approved expenditure amounted to €1,187,000 and the amount of €1,219,868 was actually paid to the supplier, this resulted in unapproved expenditure of €32,868.*

*The approval from the Ministry of Finance, the Economy and Investment (MFEI) to outsource the nursing services, as required by OPM Circular No. 20/2006, was not provided.*

*Two invoices for the months of April and May 2011, amounting to €27,794 and €30,691 respectively, included charges for services rendered by 28 individuals, who were listed on the timesheets as clerks, care workers, nurses, secretaries and a cook. These were not covered by the departmental tenders which were issued strictly for the provision of nursing services.*

*There were no records to support requests made by MCH to the service provider for support services and nursing hours required. The former claimed that support services were fixed and do not change daily; however, no documentation was available to evidence this arrangement.*

*PPR should invariably be adhered to, ascertaining that value for money is achieved and enabling transparency as well as accountability. Clear distinction should have been made in the procurement process between nursing and other support services. The procurement procedures are expected to commence in due time to avoid situations where unauthorised commitments have to be approved retrospectively. Furthermore, prior approval is also to be obtained from MFEI before entering a contract for service.*

*Hours of service provided are to be formally authorised by MCH in advance. Requests for changes to the daily nurse complement are to be documented and confirmed with timesheets prior to payment. Additionally, the service provider is not expected to be allowed to cover the nurse complement by providing staff working excessive long hours.*

### **Developments: Partly Implemented**

A call for tender for the provision of nursing services within MHS was published on 29 April 2014 with Health Services Malta Limited submitting the only offer. An evaluation report was drawn up and a contract signed between the Department of Contracts, on behalf of MCH, and Health Services Malta Limited on 1 April 2015. This agreement was applicable for a period of 24 months, up to 15 April 2017, with a maximum contract value of €4,500,000.

During the follow-up audit in March 2018, MCH confirmed that the service by the foregoing contractor was still ongoing, although the extension to the contract was not formally approved by the Department of Contract following its expiry.

No evidence of approval from the Ministry of Finance before the call for the Contract for Service was issued was made available.

Authorisation of hours of service to be provided by the Contractor was also not forthcoming.

### **Security Services**

*Approval for direct order for security services was acquired from MFEI for a total cost of €26,800, from 25 January to 24 July 2011. However, services rendered during August 2011, and costs exceeding the authorised amount by €5,755, were not covered by Finance approval.*

*A formal contract for security services for the value of €65,000 was not available, even though required by the terms and conditions of the tender awarded to the same service provider on 6 September 2011.*

*The Financial Controller (FC) claimed that persons to be engaged as security guards are filtered by MCH Management before they are accepted. However, it was not possible to verify whether security officers were well trained and registered, since a training certificate as well as a private guard licence, as required by the Tender Specifications, were not provided.*

*Services covered by an invoice in the audit sample were charged at a rate higher than that quoted as per tender. Following this finding, MCH requested a credit note from the supplier for the difference.*

*All commitments entered into by direct order are to be invariably covered by prior Finance approval. Relevant documents, such as training certificates and private guard licences, are to be requested to cover security officers delivering the service. Controls over verification of invoices paid are also expected to be strengthened.*

### **Developments: No Progress**

Following a call for tenders for the provision of security services at MCH, a contract was signed for a period of two years effective till 5 September 2015. However, the contract value of €110,000 was already exhausted by 31 May 2015. Two approvals from Direct Orders (DO) Office for further extensions were found in file; one covering services for period from June to December 2015 and another from February to June 2016. MCH confirmed that there were no further requests or approvals for extensions covering from July 2016 onwards. Such request for approval was made retrospectively during the follow-up audit on 28 February 2018.

Furthermore, such security service was still not covered by a formal agreement as from January 2016 to date.

NAO also observed that, although mandatory, valid private guard licences, as well as training certificates for the security officers delivering service during 2017, were not available.

Considering that no agreement is in place, the rates charged could not be verified with source documentation. However, NAO acknowledges that the hourly rate paid during 2017 complies with the minimum hourly rate established in Contracts Circular 7/2017.

### **Social Workers' Services**

*The service of three social workers, provided in October 2008 and paid for in 2011, was not covered by an agreement. The applicable service agreement referred to one particular social worker and did not include the three employees in question. It transpired that this service was taken for granted by both parties and no official documentation was available covering the other social workers at MCH.*

*An invoice dated 31 October 2008 to the amount of €6,806 was paid by MCH during 2011, since it was misplaced from Head Office.*

*Payments for social workers' services were not substantiated with timesheets. Furthermore, the invoice in the audit sample was not addressed to MCH. This hinders the necessary internal controls expected to be performed during the payment process. Furthermore, neither the invoice nor the breakdown of salaries of the three social workers in question, were endorsed by the service provider and the Community Manager respectively.*

*Social workers providing a service to MCH are to be covered by an agreement. Each creditor's balance is to be reconciled regularly to the supplier's statement of account to ensure accuracy. Invoices payable by MCH are expected to be addressed accordingly. Moreover, each payment is to be adequately substantiated with source documentation, duly checked and endorsed.*

### **Developments: Fully Implemented**

A three-year service agreement, applicable from June 2015 up to May 2018, was entered into. According to MCH, monthly suppliers' statements are now being reconciled regularly to ensure completeness. NAO also confirmed that invoices were adequately substantiated with the respective timesheets, addressed to MCH and endorsed accordingly prior to payment.

#### **Maintenance of Air-conditioning Units**

*The tender for the maintenance of air-conditioning units was effective from 4 September 2009, for a two-year period without the possibility of being extended. Although an extension was not in line with the procurement regulations, on 12 September 2011 the same contractor was requested to extend the contract until the new one was awarded on 7 February 2012.*

*The contract extension was only approved by the FC and not by MFEI, even though the amount invoiced for the period in question was beyond the threshold allowable for a direct order.*

*A signed contract and bank guarantee, for the value of €47,000 and 10% thereof respectively, were not available even though required by the conditions of the above-mentioned tender. Similarly, a signed contract and bank guarantee, for the value of €47,000 and '10% or 15%' thereof respectively, were not available for a previous tender awarded on 8 May 2007.*

*The invoice dated 21 November 2011, amounting to €9,474, covered maintenance service of 452 units at €20.96 each, which rate entitled MCH to four visits per year. Although the FC claimed that this invoice relates only to the period October 2011 to February 2012, from documentation provided it transpired that MCH was still entitled to the four quarterly services. This implies that separate additional payments may be made in line with the new contract, to the same supplier, for the same period.*

*Extension clauses should only be granted if they were already included in the call for tenders/quotations. In such absence, MCH is to ensure that authorisation from the relevant authority is sought to extend an existing contract. MCH is to ascertain that the supplier does not charge for services which have already been paid for.*

### **Developments: No Longer Applicable**

According to MCH, maintenance of air-conditioning units is now being done in-house by its maintenance staff.

## **Control Issues**

#### **Modules and Applications for Software Support not codified into one Agreement**

*An agreement entered into on 2 February 2001 was valid for an initial period of 12 months, and thereafter could be extended for further contiguous 12-month periods. Although various modules/applications were purchased and implemented over the years, these were not integrated in one agreement. Rather than official contracts laying down the conditions and pricing agreed upon, only copies of proposals were provided, making it difficult for the verification of invoices. Furthermore, 10% bank guarantee of the contract value amounting to €39,874 was not provided, even though required by the terms and conditions of the tender document.*

*Various proposals are to be codified into one agreement and details of pricing included therein, in order to facilitate verification of amounts charged.*

### **Developments: *Insignificant Progress***

From the correspondence reviewed, maintenance fees and support services for the Payroll software have been provided by the same service provider since the year 2000. A number of requests and approvals for direct orders for the same service provider were also traced from 2012 until April 2017. However, no requests or approvals were provided as from that date onwards. Furthermore, no contract was provided to cover the year under review.

As regards the other software programs, MCH only provided an unsigned Application Support and Maintenance Agreement applicable from 1 January 2017 between the Ministry for Health and a service provider. A DO approval dated 17 November 2009 was granted to place a direct order with the same service provider for the purchase of software programmes. Further DO requests and approvals were in place for the renewal of the Annual Licence and Maintenance Agreement provided up to April 2017, notwithstanding that the service is still ongoing.

Furthermore, bank guarantees for the year under review were again not provided.

### ***Laundry Services***

*Testing of two invoices, amounting collectively to €82,370, out of total payments of €317,829 during 2011, revealed the following shortcomings:*

- a. The monthly cost, for a detergent used by the hospital's launderette, was not included in the price list to the contract, but was only covered by verbal agreement.*
- b. The monthly invoiced amount, covering 'Steam for Kitchen', was also not included in the respective price list, since initially it was provided free of charge.*
- c. Incorrect prices inserted on a spreadsheet used in the re-computation of invoices by MCH led to a number of immaterial errors, questioning the effectiveness of the latter's checking.*

*MCH is expected to obtain and maintain the necessary documents to which invoices should be corroborated. Additionally, verification of invoices is to be carried out diligently to ensure that any mistakes are identified prior to payment.*

### **Developments: *No Progress***

A new agreement was entered into on 1 April 2015 for a period of 5 years. From a sample of monthly invoices, namely for February, June and November 2017, it was noted that although being invoiced, the items in question were still not included in the price list annexed to the respective contract. It was also confirmed that laundry detergents were not being channelled through CPSU as was initially intended.

Delivery notes for 2017 for laundry service and reconciliations from March 2017 onwards were not found in file. Thus, NAO could not ascertain that the said reconciliations were being performed on a monthly basis.

### ***VAT Receipts not available***

*In 19 out of 28 payments (68%) reviewed, amounting collectively to €353,698, fiscal receipts were not available.*

*Every effort is to be made to enforce the principle that Value Added Tax (VAT) receipts are obtained from suppliers for every purchase of goods and/or services.*

### **Developments: *Insignificant Progress***

For a sample of seven suppliers reviewed for VAT receipts, only those from two suppliers were made available. Thus, the shortcomings still prevail.

#### ***Care Workers' Services***

*A signed contract for the value of €141,600, in connection with the provision of care workers' services, was not available even though required by the terms of the respective tender document.*

*An immaterial difference, noted whilst re-calculating the total hours worked at the Psychiatric Out-Patients during the month of November 2011, indicated that amounts paid may be subject to undetected errors.*

*Independent double checking on manual records is strongly recommended for control purposes.*

### **Developments: *No Progress***

A copy of the contract applicable for the year under review, indicating also the rate to be charged, was not provided. Furthermore, the number of hours charged in the two sampled monthly invoices were not substantiated with the respective timesheets, implying that reconciliations were still not being made.

#### ***Verification of Sick Leave***

*The notification letter, in connection with the verification of sick of leave on MCH employees, did not specify the duration of a contract commencing from 1 January 2007. Thus, it was not possible to check whether it was still valid for 2011. Only Letter of Acceptance (LA) dated 30 November 2009, also covering the period tested, was provided subsequent to audit enquires. Furthermore, it was noted that the chargeable rate in the said LA differed from that available in the respective file during the audit.*

*The lists comprising the employee name and the date reported sick, do not specify the identification card numbers of the respective employees. Therefore, in the absence of a unique reference to an individual, it will be difficult to identify a person with certainty.*

*The duration of a contract is to be clearly specified. Furthermore, the respective employee's identification card number is to be invariably quoted in order to avoid misunderstandings.*

### **Developments: *Partly Implemented***

Both the contract in place and the LA, stipulating the applicable rate to be charged, were neither available in the relevant files provided for testing nor submitted following audit queries. This also means that MCH officials are still not verifying that the rate charged is correct before the payment is made.

The respective employee's identification card number is now supporting the respective invoices.

#### ***Cleaning Services***

*The actual palm readings for cleaning services are derived from the payroll system, whilst total hours to be paid are compiled by the Salaries Department at MCH taking into consideration any necessary adjustments. However, since not all adjustments were supported with appropriate documentation, correctness of actual hours worked remained unverified.*

*Two immaterial differences for two employees respectively, noted in the total hours paid during the month of*



August 2011, indicate lack of scrutiny of total actual hours palmed which may result in erroneous payments.

Adjustments to the computerised report are to be substantiated and filed accordingly. Reconciliation is also to be prepared to ensure accuracy of payments.

### **Developments: No Progress**

From a sample of two invoices reviewed, it again resulted that there were differences between the amounts charged and those shown by the palm reader report. Furthermore, adjustments to the palm readings report were not substantiated and filed accordingly.

### **Professional Fee for Engineering Services**

Although specifically required by the terms and conditions of the tender document, a signed formal contract for the provision of service was not available.

The invoice, purchase order, payment voucher and relevant documents required for audit purposes, were only inserted in the respective file following audit testing, resulting in a longer verification process.

Controls over the payment process may be considered weak, since an invoice in the audit sample, amounting to €6,450, was not certified correct by MCH, but still processed for payment.

A contract, endorsed by both parties, is expected to be in place to outline the terms and conditions binding the contractual agreement. All supporting documents are to be retained in the relevant file for future reference. Invoices are to be invariably certified as correct in order to confirm their accuracy before processed for payment.

### **Developments: No Longer Applicable**

The tender for engineering services was cancelled since such services at MCH were to be provided by Foundation for Medical Services (FfMS). The bidder was informed of this cancellation on 13 April 2011.

## **Compliance Issues**

### **Domestic Waste Collection and Disposal Service**

Procurement with regard to domestic waste collection and disposal service is entirely managed either by the Centralised Procurement and Supplies Unit or centrally by Mater Dei Hospital. It was noted that services were being rendered to various health entities through several direct short contracts, for a maximum of €6,000 (VAT excl.) for each contract, approximately covering a period of 37 days. During 2011, total invoices paid by MCH, excluding the other entities, amounted to €27,142.

Since LAs covering the period being tested, i.e. August 2011, and various periods of 2011 were not available in the relevant file reviewed, the charge for 15 skips at the daily rate of €4.24 per unit (VAT excl.) could only be verified following audit enquiries.

Procurement is to be made, as much as possible, through departmental calls for tenders if it is within the established threshold in line with PPR.

### **Developments: Fully Implemented**

Though contracts, approvals or LAs covering the period from 3 April 2016 up to end 2017 were neither available in the relevant files provided for testing nor submitted following audit queries, a contract was



eventually signed on 9 February 2018 between DG Contracts, on behalf of CPSU, and a service provider for the provision and maintenance of bins on wheels and open skips and the regular collection of municipal type and/or other bulky recyclable wastes for a period of three years. This service is being provided to all public healthcare institutions in Malta and Gozo.

### **Information Technology Services**

#### **Services by Direct Quotations**

*Upon the resignation of an Information Technology (IT) Administrator in April 2011, MCH made several requests to FfMS for an immediate replacement. MCH was informed that recruitment was to be part of the Capacity Building Exercise (CBE) that would provide the replacement once the exercise was completed. Consequently, procurement was made direct from the open market for a temporary assignment. Since the approval of CBE was always postponed and the recruitment never materialised, IT services continued to be provided without an agreement in place.*

*It is important that this issue is given priority by FfMS so that MCH can have the necessary IT knowledge and competence.*

#### **Developments: No Longer Applicable**

Information Technology Services are now being provided in-house.

#### **Delegation of Authority**

*According to PPR, purchases between €2,500 and €6,000 may be procured direct from the open market subject to the Minister's approval, or by the member of the department authorised by the Minister. FC claimed that this responsibility automatically lies within the role of the Chief Executive Officer (CEO). However, no documents were available to substantiate the delegation of authority. Thus, in the circumstances, procurement cannot be considered as approved from the appropriate level of authority.*

*Although PPR does not stipulate that authority may be further delegated, FC was authorised by CEO to approve purchases up to €3,000, above which shall be authorised jointly. This approach may lead to CEO not being duly informed to approve procurement accordingly.*

*MCH is to ensure that adopted procedures are in accordance with all relevant regulations so that procurement is duly authorised.*

#### **Developments: No Progress**

The only delegation of authority provided by MCH was that from the Minister to the then CEO, referring to procurement not exceeding €10,000. Thus, MCH is still not in line with Article 100(1) and 103 of the new PPR.

### **Conclusion**

NAO reiterates that the recommendations previously made, in respect of which the majority of them are still pending, are to be taken on board without further delay. Evidence of any action taken is to be documented and filed for future reference.

In conclusion, this Office encourages MCH to step up its level of internal controls, especially with regard to the procurement of services, which constitutes a high risk area of operations.

# Medicines Authority

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## Background

An audit carried out at the Medicines Authority (MA) and published in the Report by the Auditor General – Public Accounts 2012, had revealed that completeness of revenue generated could not be ascertained due to the absence of an integrated IT system. Testing had also exposed lack of internal controls and concerns over employees' remuneration.

## Audit Scope and Methodology

The objective of this follow-up audit was to determine whether Management had implemented appropriate corrective measures to address the issues raised, in line with the respective recommendations.

An introductory meeting was held with Management in order to obtain an update on the corrective actions taken. The supporting documentation provided was analysed to verify the extent of the implementation progress, as well as their effectiveness.

For reference purposes, findings and respective recommendations that featured in the 2012 Report, are shown in grey text below.

## Key Issues

### *Completeness of Revenue*

*Pharmacies, Wholesale Dealers, Importers and Manufacturers have to pay an annual license to MA, as required by the applicable regulations, which also stipulate that an annual fee is due for Marketing Authorisations<sup>1</sup>. Upon enquiry, the National Audit Office (NAO) was informed that in the absence of an integrated IT system, the Finance and Administration Unit has no option but to rely on spreadsheets, which are prepared by the Authority's Technical Directorates, for accounting purposes.*

*NAO has reservations regarding the accuracy of lists prepared by the Technical Directorates, as a result of which, the completeness of revenue could not be ascertained.*

*Management was considering purchasing a new IT system which includes the possibility of integration with the accounting package. In this regard, it is advisable that MA actively follows up the progress registered to this effect and endeavours to adopt a robust income recording process at its earliest.*

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<sup>1</sup> A Marketing Authorisation is required before any medicinal product is made available for consumption.

### **Developments: Fully Implemented**

Lists containing details of Pharmacies, Wholesale Dealers, Importers and Manufacturers are updated by the Inspectorate and Enforcement Directorate. These are manually reconciled with records from the accounting package, any discrepancies are analysed and the invoices for the respective annuity is sent.

On the other hand, the list of Marketing Authorisations is kept updated on MA's website by the Licensing Directorate. A walkthrough test performed during the follow-up audit confirmed that checks and reconciliations were being made and documented accordingly.

NAO was informed that the system which was previously being considered was shelved. However, this Office considers that the Authority's accounting for income is now satisfactory.

### **Lease of Premises**

*MA offices were leased from third parties and the respective three agreements covered the period from October 2001 to September 2013.*

*The annual lease, which started at €113,599, eventually increased to €138,455 in 2013. By the end of the last lease agreement, the Authority incurred an aggregate expenditure on the rent of office premises of €1,519,404 and maintenance costs of €101,121.*

*The lease agreement was due to expire by the end of September 2013; however, discussions to find alternative premises were put on hold.*

*An exercise is to be carried out in order to identify any alternative Government property that satisfies MA's requirements, and to determine whether the option of moving to new premises is feasible and cost effective.*

*In the event that adequate premises are not found, the Authority is encouraged to issue an expression of interest, in order to be made aware of other alternatives which may be considered. The approach taken is to be in line with the requirements of the procurement regulations, to ensure that the best rates and conditions are obtained within the framework of a transparent and fair selection process, if MA decides to continue leasing the premises.*

### **Developments: Fully Implemented**

The Authority is presently housed in an area measuring 904 square metres in the Malta Life Sciences Park<sup>2</sup> located in San Ġwann, after a lease agreement was entered into in September 2015, between Malta Life Sciences Centre Ltd, which is a government-owned entity, and MA for a period of thirty-four months.

The current annual rent amounts to €58,760<sup>3</sup>, thus as a result of the move, the Authority estimated rent savings of circa €239,000 over a three-year period. However, it also transpired that for the duration of the agreement, MA had to contribute a minimum capital investment of €345,000. , but the contract did not provide for an automatic renewal of the agreement at pre-established rates for the lease. When NAO brought this matter to Management's attention and highlighted the potential risks, MA obtained confirmation from the lessor that the current rent arrangement will be renewed at the same rate as per original lease.

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<sup>2</sup> A Malta Enterprise initiative.

<sup>3</sup> No Value Added Tax is applicable on rent of premises.

## Control Issues

### Payroll

#### Chief Executive Officer - Renewal of Appointment

*Although the Chief Executive Officer (CEO) retained her post after the expiry of the second term, the Minister's authorisation, corroborating the renewed appointment, was not available.*

*A valid document is to be drawn up for each officer in office, in order to regularise the respective appointment. Such document is to be filed for future reference as well as for audit purposes.*

#### **Developments: Fully Implemented**

CEO duties in line with the prevailing legislation were assigned to a Chairperson by the then Minister of Social Dialogue, Consumer Affairs and Civil Liberties through a contract of service. The incumbent's present formal appointment covers a three-year period until 9 June 2019.

#### Incorrect Salary Payments

*Audit testing of salaries revealed certain overpayments. Following NAO's observation, an agreement was reached for the refund of the respective amounts.*

*Salaries are to be double-checked prior to payment, in order to avoid mistakes.*

#### **Developments: Fully implemented**

Salaries of the officers in question for the year 2017 were verified and confirmed correct.

#### Declaration of Income earned from the Provision of Linguistic Reviews

*Ten full-time MA employees also performed linguistic reviews on a self-employed basis. Such income was not always being declared for tax purposes.*

*MA is to seek guidance from the Inland Revenue Department about the possibility of deducting tax at source to safeguard the interest of Government. This will assist the Department in collecting the correct amount of tax due in a timely manner.*

#### **Developments: Fully implemented**

Management confirmed that the employees who performed linguistic reviews during 2012, were instructed to regularise their tax position with the Inland Revenue Department. The respective income is now being added to their gross salary and tax deducted at source.

#### Pharmacists' Contracts for Service

*The result sheets following the selection process of Pharmacists were not always filed, thus could not be provided for audit purposes.*

*The contract for service between MA and its Pharmacists stipulated that an hourly rate, inclusive of VAT, is payable during the period of service. Notwithstanding that certain Pharmacists were exempt from charging VAT, the tax element was not deducted from the hourly rate, but charged in full and retained by the service provider.*

*The standard procedures outlined in the Recruitment Standard Operating Procedures, particularly the application screening by a Board and the publication of results, are to be adhered to. The Authority is also to ensure that the relevant VAT is deducted from the chargeable rate when the service provider is exempt.*

**Developments: No Longer Applicable**

Management confirmed that no pharmacists were appointed through a contract for service during 2017. In view of the operational requirements of the Authority, a call for applications was issued for part-time pharmacists, thus eventually forming part of payroll.

**Conclusion**

The findings presented in this follow-up audit indicate that considerable effort was devoted by MA to address the shortcomings highlighted in the 2012 Report.

# Malta Gaming Authority

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## Background

The Malta Gaming Authority (MGA) is the sole independent regulatory body responsible for the governance of all online and land-based gaming activities in Malta. Its main aims include the principle of having a fair and transparent gaming sector in Malta, safeguarding players' rights, taking safety measures against crime and corruption, as well as protecting minors and vulnerable players.

The National Audit Office (NAO) published a report entitled 'Malta Gaming Authority – Gaming Taxes' in the Report by the Auditor General – Public Accounts<sup>1</sup> 2014. The aim of this audit was to evaluate the level of internal controls adopted by the Authority in relation to the collection of gaming taxes on behalf of Government.

## Audit Scope and Methodology

The scope of this follow-up was to enquire on the developments following the above-mentioned audit and assess the extent to which the Authority has acted upon the recommendations put forward by the NAO. Management comments submitted by the Authority in respect of the 2014 audit were also referred to.

An initial meeting was held with the respective officials, whereby the NAO was informed of any developments, and new measures taken by the Authority vis-à-vis the NAO's findings featuring in the 2014 Annual Audit Report (AAR). A set of questions was then prepared, requesting further comments, clarifications and supporting evidence. Management replies were subsequently analysed and incorporated in this report accordingly.

Findings and recommendations proposed by the NAO as featured in the 2014 AAR are reproduced (in grey text). Developments pertaining to each issue follow.

## Key Issues

### ***Non-submission and Lack of Verification of Monthly Reports***

#### Player Liability Reporting

*In line with the Players' Liability Reporting (PLR) Directive, remote gaming operators<sup>2</sup> shall provide the Authority with a PLR, a Clients' Accounts Report, a Funds in Transit Report and a Shortfall/Surplus Report, on a monthly basis. These signed reports are intended to, amongst others, serve as a measure for the control of players' money by licencees.*

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<sup>1</sup> Thereafter referred to as Annual Audit Report.

<sup>2</sup> All holders of a remote gaming licence, except Class 4 licence holders (i.e. business-to-business gaming licence) are required to submit these reports.

*This finding highlighted the fact that 16 companies, which in aggregate, were the holders of 29 licences and were invoiced a total taxation of €3,542,454, did not file such reports with respect to one or more months during 2014. The MGA was thus not in a position to assess whether gaming operators could cover their players' funds, especially if they were to cease operations, and hence couldn't take remedial and timely action.*

### **Tax Reporting**

*After analysing monthly tax reports submitted by a number of Class 2 and 3 licence holders, the NAO concluded that the MGA accepted the amount of taxes paid as declared by the operators, without further questioning. The NAO was not in a position to assess whether the tax payments made by the remote gaming operators were correct, since independent tax calculations, against which these figures could be compared, were not available.*

*The only documents available for comparison were unaudited Financial Statements, prepared by the same companies that submitted the monthly tax reports. However, recalculation by the NAO of the tax figure on the basis of these reports proved to be extremely difficult since the income reported did not reflect the MGA's income definitions. This was also evident when trying to calculate the taxation figure of circa €22 million due by two sampled casinos and the National Lottery operator.*

*Furthermore, during 2014, no procedure was in place for the checking of taxation documents submitted and related payments. Vetting from the MGA's end was only being done in specific circumstances, such as upon the renewal of a licence.*

- It was recommended that internal controls in relation to both PLRs and tax reports are introduced immediately. Particularly, the submission of the latter should be required by regulations, and a procedure put in place to assess these submissions.*
- The MGA should consider requesting an independent auditor's report in relation to taxation due from licenced gaming operators. This report could then be used as a tool to ascertain whether the taxation received is correct.*

### **Developments: *Partly Implemented***

The MGA has set up a Revenue Assurance Unit. The Unit's responsibilities include that of receiving and analysing the monthly PLRs. It also ensures submission of these returns, with multiple non-submissions reported to the Enforcement Directorate for further action through the Defaulters Committee<sup>3</sup>. As a result of these actions, the Authority can already positively report a significant increase in submissions.

In addition, the MGA has set up a Tax Compliance Unit which is overseen by the Revenue Assurance Manager. This newly set up Unit is responsible in rating the operators via a risk-based approach. The respective Manager collates the information based on a pre-set criteria as suggested by the Authority's internal auditor.

In addition to those operators identified through the risk matrix, the tax compliance officer performs checks on all operations to identify nil returns, tax returns which have not been submitted and low tax declarations paid. Other checks consist of performing variance analysis to identify abnormal trends on an operator-by-operator basis and verifying that operators with a status of 'temporarily non-operative' are actually not active.

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<sup>3</sup> The Defaulters Committee, set up pursuant to Articles 13 and 14 of the Lotteries and Other Games Act (Cap. 438), is chaired by the ExCo member present in the Committee. Its main function is to supplement the credit control and tax compliance procedures with respect to the enforcement actions, review monthly defaulters, define courses of action and monitor the progress of payments, as well as submission of information due by defaulting licencees.

Following this, the officer liaises with the compliance/authorisation department in order to obtain any further information if available. If none is found within same department, an official letter is sent whereby the operator is asked to give clarifications and reasons for the abnormalities, and officially request submissions of the statutory forms in case of non-submission. Sensibility checks with the operator's financial statements are also carried out to substantiate claims. After documenting all findings, a full tax compliance report is compiled and shared with the Compliance Department, with further action being taken depending on the operator's reply.

Another main development undertaken by the MGA was the conception of new regulations, as per Legal Notice 409 of 2017 – Gaming Licence Fees Regulations, 2017. These regulations are based on gaming revenue such that compliance contributions are due on a percentage basis depending on the type of gaming service. The provisions of the new regulations relating to remote operators will come into effect during mid 2018, whilst those in respect of land-based operations will be effective in 2019.

The NAO was informed that, the Authority has been working on a tax calculator which is currently in the final stages of development. The purpose of this calculator is to indicate the compliance contribution payable according to the monthly gaming revenue inputted by the operators. This tax calculator will also serve as a 'tax return'<sup>4</sup>.

In addition, the MGA is also undergoing preparations for the implementation of the new regime and is concurrently working on the procedures which the Tax Compliance Unit within the Authority itself will be conducting in order to be effective. To this effect, such Unit will be taking the following approach:

- requesting on a yearly basis an audit confirmation of the tax paid by the operators, by an independent auditor, together with the statutory audit, and
- performing checks on a risk-based approach, possibly through onsite inspections and data extraction.

Furthermore the MGA confirmed that, as it was already indicated in their reply to the Internal Audit and Investigations Department, the monthly tax reports submitted by casinos are being validated against supporting documentation, which is forwarded to the Authority by the operators on a daily basis. The same applies to the National Lottery operator whereby monthly reports are reconciled by an MGA official. Examples of such reports were forwarded for the NAO's perusal.

The Authority also confirmed that the NAO's recommendation of requesting the independent auditor's report was taken on board. In fact, the MGA is in discussions with the Malta Institute of Accountants, in order to get this requirement implemented. As a general indication, this audit report will be reported in accordance to the applicable standard<sup>5</sup>, and at present the Authority is waiting for the Institute to set up a committee specifically for gaming, which will be considering the respective proposal.

## Control Issues

### *Taxation not Paid as it Falls Due*

*Six Class 2 and 3 remote gaming operators selected as part of the audit sample during 2014, did not pay taxation to the MGA on the basis of their monthly revenue as soon as this fell due in accordance with regulations, but split the payments equally over the year.*

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<sup>4</sup> A different return from the Commissioner for Revenue Tax Return.

<sup>5</sup> International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.



*Gaming operators who earn enough income for the maximum threshold to be reached, even if this occurs during the first few months of the year, should pay the tax amount immediately as it becomes due. By not doing so, they would be deferring their tax liability. It was thus recommended that the MGA closely monitors gaming operators holding either a Class 2 or 3 licence to ensure that their taxation is paid, both in line with their earned revenue and also within the established timeframes.*

**Developments: Fully Implemented**

The NAO satisfactorily noted that adequate measures were taken to rectify this observation. In fact, the MGA sent official letters to the respective operators, in order to settle the respective duty due within the stipulated timeframe, as per prevailing regulations. The MGA further indicated that the response rate was extremely good and all operators became compliant.

**No Procedure to Address Shortfalls in Player Liability Reports**

*Testing revealed that in the case of three licences held by one particular operator, the resulting PLRs reported a shortfall. In fact, shortfalls were reported in all 2014 monthly PLRs. This implies that the players' balances were not covered by the funds in the respective bank accounts held by the licensee. Moreover, it transpired that no procedures were in place, during 2014, to address such PLR shortfalls.*

*The NAO recommended that the Authority is to ensure that shortfalls are closely monitored, and that necessary action is taken in a timely manner.*

**Developments: Fully Implemented**

The MGA indicated that during 2017, there was no need for the Enforcement Directorate's intervention, due to prompt action undertaken by the Regulatory Directorate within the MGA.

**Conclusion**

The NAO satisfactorily noted that the shortcomings, as reported in the 2014 AAR, were addressed by the MGA. Furthermore, with the introduction of the new Gaming Licence Fees Regulations, as well as the implementation of other measures, the Authority will be in a better position to fulfil its main aims.

# Ministry for Transport, Infrastructure and Capital Projects

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## Background

The Ministry for Transport, Infrastructure and Capital Projects (MTIP) is responsible for promoting and developing the transport sector in Malta by means of proper regulation and by promoting and developing related services, businesses, and other interests, both locally and internationally. The Ministry also enables the effective implementation of programmes and capital infrastructural projects which fall within its remit.

The National Audit Office (NAO) published a report entitled 'Ministry for Transport and Infrastructure – Expenditure' in the Report by the Auditor General – Public Accounts<sup>1</sup> 2015. The main objective of the expenditure audit was to assess the level of existing internal controls over the procurement and payment of selected items of expenditure incurred by the then Ministry for Transport and Infrastructure (MTI), whilst ascertaining the efficient use of public funds in line with existing regulations, policies and procedures.

## Audit Scope and Methodology

The scope of this follow-up was to enquire on the developments following the above-mentioned audit and to follow-up the extent to which the Ministry has acted upon the recommendations raised by the NAO. Management comments submitted by the MTIP in respect of the 2015 audit were also referred to.

An initial meeting took place with the respective officials. Following questions put forward by the NAO, Management replies were analysed and supporting evidence requested along with additional information on assertions made.

Findings and recommendations proposed by the NAO as featured in the 2015 Annual Audit Report (AAR) are reproduced (in grey text). Developments pertaining to each issue follow.

## Control Issues

### *Irregularities in relation to Direct Order approvals*

#### Services provided by a Cleaning Company

*A Direct Order (DO) request for the procurement of cleaning services was made, even though such request quoted the fact that the selected supplier had already offered such services to the Ministry.<sup>2</sup> Thus, the relative DO approval was granted retroactively and the amount approved by the Ministry for Finance (MFIN) was used to pay for work, which, in its majority had already been carried out by the service provider.*

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<sup>1</sup> Thereafter referred to as Annual Audit Report.

<sup>2</sup> Payment terms and rates that had already been agreed upon with an MTI Director, were amongst reasons for resorting to a DO.

### Services provided by an Architect

*A request for approval to obtain the services of an Architect for €32,239 was made by the Ministry, which DO was approved by MFIN on the following day. Testing revealed that a 12-month Service Contract Agreement between MTI and the proposed Architect was entered into before the DO was requested and approved. Furthermore, an amount of circa €5,500 was not covered by the pertinent DO approval.*

### Services provided by an Information Technology Company

*An approval for the engagement of an Information Technology (IT) company for a total value of €74,022 was requested by the MTI and approved on the same day by the MFIN, on the basis of the Ministry's claim of urgency. However, the NAO noted that a Letter of Intent was sent to the service provider four months after such approval. Moreover, the NAO could not verify the terms of engagement, as well as the official date when such services were to commence, since no agreement was traced in file.*

- *As emphasised in MFIN Circular No. 3/2013 – 'Public Procurement Regulations – Direct Orders', DOs should be limited to the barest minimum. Moreover, commitments should not be entered into with the service provider before obtaining the necessary MFIN approval, which instances are to be resorted to on an exceptional basis.*
- *Additionally, each major assignment handled by the Ministry should be formalised through a Contract Agreement to ensure that all the necessary details are understood by both parties and that billing is done according to the plans and relevant approvals.*

### **Developments: Fully Implemented**

It transpired that payments for cleaning services to the same supplier were being effected up till March 2017. These were covered by Letters of Acceptance endorsed by the Permanent Secretary covering the period September 2016 to March 2017. After this date, the Ministry stopped using the services of this supplier and resorted to the recruitment of full-time labourers.

The MTIP also confirmed that the last payment to the Architect mentioned in the 2015 AAR was made in May 2016, covering the service provided up to March 2016.

With respect to the IT company, payments to the latter continued until the end of 2017. However, the MTIP confirmed that such payments were not related to the DO referred to in the 2015 AAR, but to other services also procured by a separate DO. The Ministry provided a copy of the final Payment Certificate made to the supplier, together with the relative DO approval issued by MFIN, including the Contract Agreement. No irregularities were noted.

The NAO was informed that the MTIP issued an internal memo dated 27 February 2017, referring to the DO approvals, highlighting the salient points regulating direct contracts and mapping the process within the said Ministry to obtain the necessary approvals. Memo 11/2017 follows recommendations from both internal and external auditors, and emphasised the fact that direct Contract Agreements should be reverted to only in exceptional circumstances.

## **Services procured without the Necessary Approvals**

### **Service provided by a Consultancy Company**

*A company was appointed to conduct an investigation into the new Parliament's project cost overruns, at a cost of €74,692. Following a request to the MFIN Budget Office in June 2015, Finance approval for such funds was given in August 2015, following a report submitted by the said company in October 2014. No Contract Agreement and other information was traced in file. Thus, the NAO was not in a position to assess whether the amount paid<sup>3</sup> was justified and correct. Moreover, the MTI confirmed that no supporting documentation was available with respect to the nature of the expenses incurred as per invoices, the work conducted and to which period it related.*

### **Other Works**

*It also transpired that in the case of two distinct companies, one of the suppliers was chosen through a Tender for Framework Contract for the supply and delivery of ready mix concrete, whilst the other company had been awarded a period contract for the hire of hydraulic excavators. In both instances, the respective files, as well as replies to the NAO queries in relation to the procurement of such services, did not contain sufficient information for this Office to duly assess the relevant procurement procedures.*

*The NAO recommended that the MTI adheres fully to the requirements of the Public Procurement Regulations, to ensure fairness, and provide equal opportunity to all interested parties in the provision of services.*

### **Developments: Fully Implemented**

The MTIP confirmed that in the case of the consultancy company, no other payments in relation to this particular service were effected since the 2015 Audit.

Moreover, during 2017, payments effected to the two suppliers mentioned in the 2015 AAR related to other services provided by the respective suppliers in question, with one of the suppliers having services covered by a new Contract Agreement.

In addition, the Ministry also stated it maintains a good audit trail of its procurement processes, as documented by internal memos issued on the subject matter. A copy of such memo was forwarded to the NAO.

## **Compliance Issues**

### **Lack of Compliance with Standing Travel Regulations**

*In the case of a delegation trip, the NAO was not in a position to verify whether air travel was properly procured after obtaining three quotations since the only quotations traced were from two local travel agents. Moreover, deductions from subsistence allowance in relation to lunches/dinners were not duly made in relation to seven officers, who participated in three separate visits abroad. Furthermore, a report containing the purpose and benefits achieved from visits abroad on official Government business was lacking in the case of two of the selected visits.*

- *As required by the relative provisions of the Public Service Management Code (PSMC), whenever the services of Air Malta are not used for some permissible reason, alternative air travel arrangements*

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<sup>3</sup> Fees ranged from €130 to €320 per hour (VAT excl.)

*should only be authorised on the presentation of three quotes, one of which must always be from Air Malta.*

- *Reports on the visit should also be prepared by the travelling officers and be submitted to the MTI accordingly.*

### **Developments: Significant Progress**

The MTIP issued an internal memo during 2016 in relation to travel procedures in line with the PSMC. To this effect, testing carried out by the NAO on two MTIP files relating to travel conducted during 2017 also revealed that all the procedures were being adhered to. At this stage, the only improvement that the NAO can recommend is to fill in the last section of the GA27 Form to ensure completeness.

### **Shortcomings in relation to General-Use Vehicles**

*The MTI confirmed that no logbooks were being kept to record the journeys made by four general-use vehicles during 2015. Nevertheless, in the case of three of these vehicles, the NAO was presented with the 2016 logbooks, which testing revealed that none of the logbooks tested was fully compliant to the relevant PSMC provisions. Furthermore, the monthly certification required by Section 8.2.5 of the PSMC was not available in all the sampled logbooks.*

- *The Ministry is to ensure that a logbook is maintained for each of its general-use vehicles, detailing all the trips made, as well as the signatures of the officer making the journey.*
- *In line with standing regulations, each logbook is also to be certified by the officer in charge of transport at the end of each month, to ensure that the trips recorded in the logbook were made on official duty and that fuel consumption is reasonable and justifiable.*

### **Developments: Significant Progress**

The MTIP issued two internal memos, in relation to general-use vehicles, one in 2016 and another during 2017 in response to the NAO's 2015 Audit. The scope of these memos was to draw attention to all government vehicle drivers to maintain a proper filled-in logbook, whilst requiring Directors to enforce policies stipulated in existing manuals and/or memos. To this effect, the NAO was informed that as from October 2017, the MTIP carried out monthly random sampling of logbooks for adherence to the relevant memos and other procedures.

In order to ascertain compliance with these procedures, the NAO conducted testing on the logbooks of two general-use vehicles in use during 2017. It transpired that in one of the logbooks, the duration and destination of each journey were not being noted accordingly. Both logbooks were certified at the end of each month by the officer in charge, and were properly maintained with respect to the other PSMC requirements.

### **Shortcomings related to Inventory**

*The NAO noted a number of discrepancies between the list provided by the MTI and the inventory on site. Testing revealed that a number of items present at the three locations tested, were not traced to the Inventory List. Furthermore, a number of items listed in the aforementioned list, were also not traced on site, while no Asset Identification Number was affixed to seven assets tested.*

- *The NAO recommended that periodic checks are carried out on inventory items to ensure that any discrepancies are recognised.*

- Moreover, as stated in MF Circular No. 14/99, “... Each item shall be physically marked with a consecutive identification number ...”. It is recommended that this procedure is adhered to, and as far as it is practicable, items are physically marked with a permanent identification number.
- Fixed asset additions are also to be forwarded to the officer in charge of inventory for eventual recording in the respective records, to ensure the safeguarding of assets owned by Government.

### **Developments: Fully Implemented**

The MTIP confirmed that an Officer was nominated to perform spot checks in relation to inventory, which checks were documented in an appropriate file, in line with the MTIP Standard of Procedures. This file, together with a copy of the Inventory Database, was forwarded for perusal by the NAO.

### **Non-Compliance with Fiscal Obligations**

*Fiscal receipts were not traced in relation to eight transactions selected for audit purposes, with disbursements amounting to circa €152,000. Upon the NAO enquiry, the MTI confirmed that no quarterly Returns reporting fiscal receipt defaulters were forwarded to the Value Added Tax (VAT) Department.*

- The NAO recommended that every effort is to be made to enforce the principle that VAT receipts are invariably obtained from suppliers for every purchase of goods and/or services.
- Additionally, defaulting suppliers are to be reported in the quarterly VAT defaulters lists, required to be submitted to the VAT Department as per MFEI Circular No. 2/2012, for appropriate action to be taken. ‘Nil’ Returns are also to be forwarded accordingly.

### **Developments: Fully Implemented**

The MTIP provided to this Office a copy of quarterly Returns submitted for the year 2017. Moreover, the MTIP officers were formally instructed to chase suppliers refraining from submitting fiscal receipts.

### **Conclusion**

The NAO satisfactorily noted that the majority of shortcomings reported in the 2015 AAR were adequately addressed by the MTIP. Continuous monitoring and enforcement of implemented measures will ensure that public funds are appropriately expensed.

# Office of the Prime Minister – Energy and Projects

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## Background

The Ministry for Energy and Water Management (MEW) was set up in June 2017. The responsibilities of the Ministry include the development of alternative energy sources, energy policy, water policy and energy and water services. The previous set up, Energy and Projects, fell under the Office of the Prime Minister (OPM).

The National Audit Office (NAO) published a report entitled ‘Ministry for Energy and the Conservation of Water – Expenditure Audit – Energy’ in the Report by the Auditor General – Public Accounts<sup>1</sup> 2014. The main objective of the audit was to determine the level of existing internal controls over the procurement and payment of expenditure incurred for Energy, falling under the then Ministry for Energy and Health (MEH) during January to October 2014. The audit also aimed to ascertain the efficient administration of public funds in line with existing regulations, policies and procedures, including the prudent use of public resources.

## Audit Scope and Methodology

The scope of the follow-up was to enquire on the developments following the MEH expenditure audit and to follow up the extent to which the MEH has acted upon the recommendations made by the NAO. Management comments submitted by the MEH in respect of the aforementioned audit were also referred to during this follow-up exercise.

Following an initial meeting with the respective officers, this follow-up commenced with the preparation of a set of questions. Subsequently, Management replies to these questions were analysed and supporting evidence, together with any additional information was requested to substantiate any assertions made by Management.

Findings and recommendations proposed by this Office are reproduced (in grey text), as featuring in the 2014 Annual Audit Report (AAR), as well as developments pertaining to each issue follow.

## Key Issues

### ***Non-Compliance with Public Procurement Regulations with respect to Legal Services***

*The NAO noted that commitments were already made with a legal firm prior to forwarding a Direct Order (DO) request to the Ministry for Finance (MFIN). In its request for the latter, the Ministry stated that the legal firm would be asked to forecast the monthly hours of work required in order to ensure that expenses are kept in check. However, no evidence was traced showing that these forecasts were actually submitted, by the service provider to the Ministry, for verification.*

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<sup>1</sup> Thereafter referred to as Annual Audit Report (AAR).



Moreover, in its 'in principle' DO approval, MFIN urged the Ministry to negotiate a maximum value for the services requested and to request a definite approval once the actual cost of services was established. Notwithstanding this request, such a threshold was not included in the eventual agreement with the legal advisor and no definite approval from MFIN was sought.

It also transpired that the total payments made to this legal firm during 2014 in relation to legal services in question by far exceeded the limit established in the Public Procurement Regulations (PPR). Thus, a tender should have been issued for the procurement of these legal services.

Audit testing also revealed that DO approvals for the direct engagement of a second legal firm were also granted retrospectively. As with the first legal firm, total payments made exceeded the limit established in the PPR and thus a tender should also have been issued for these services. It was also noted that no Contract Agreement was drawn up to bind both parties with respect to the hourly fees for services to be delivered by this legal firm as well as a maximum amount payable to the same provider.

It was recommended that:

- Procurement regulations are to be followed in order to ensure transparency, accountability and to provide equal opportunity to all interested parties. It is also highly recommended that projections of total costs are made prior to engagement of any service provider, and where applicable, a call for tenders for such legal services is to be considered.
- Moreover, whenever a DO is required, such requests are to be forwarded prior to the engagement of the service provider. It is also recommended that any conditions laid out by MFIN on DO approvals are to be invariably followed.
- Also, the Ministry is to ensure that procurement of services is at all times supported with a valid Contract Agreement.

### **Developments: Partly Implemented**

Management stated that procurement procedures have been drawn up and distributed to all officers within the MEW in November 2017. Furthermore, the MEW submitted documentation in relation to the segregation of duties and lines of authority adopted, together with thresholds as set by the Ministry with respect to procurement procedures.

With regards to the legal firms mentioned in the 2014 AAR, Management stated that the only payments effected to the former related to pending invoices for previous services. The NAO was further informed that these firms are no longer providing services to the Ministry. Thus, the NAO requested information regarding the engagement of other legal advisors during 2017. Submissions to this effect revealed that with respect to the provision of legal services provided by a local firm in connection with arbitration proceedings, such services commenced months prior to the granting of the DO approval by MFIN, thus constituting a retrospective DO.

With respect to legal services obtained after June 2017, no irregularities were noted.

### **Non-Compliance with Public Procurement Regulations in connection with Energy Conference**

A supplier was engaged by the then MEH to supply lighting and multimedia equipment during the July 2014 Energy Conference. No quotations were traced neither from the engaged supplier nor from other similar service providers. Hence, no evidence was available to justify the selection process, in terms of both the rate charged and the services offered. Moreover, the DO approval for this supplier was granted retrospectively, after the dates of both the event and the invoice.



*In relation to outside catering services obtained for the same conference, it transpired that the actual cost invoiced by the service provider was higher than the original quoted. No explanation for such increase in costs was traced. Following receipt of invoice, the then MEH requested a DO approval to settle payments, which retrospective request was denied by MFIN. Nonetheless, it was noted that an instruction for payment was given by the then Permanent Secretary (PS) in September 2014.*

*The Office recommended that:*

- The Ministry is to ensure that, whenever possible, quotations are obtained prior to the supplier selection. Otherwise, adequate approvals are to be obtained prior to the engagement of the service provider.*
- Furthermore, the Ministry is to enforce budgetary control measures to, as far as possible, minimise variances from the original budget. This will enable more flexibility and control on the available funds.*

### **Developments: *Partly Implemented***

The MEW stated that quotations are being sought prior to supplier selection, and no commitment is being entered into before the Assistant Director, Finance and Administration, verifies that all relevant procurement procedures, in line with Legal Notice 352/2016 – ‘Public Procurement Regulations, 2016,’ have been adhered to.

### **Shortcomings in relation to Personal Emoluments**

*The NAO noted that two approvals for overtime, both for six months, were granted to carry out general office day-to-day duties, thus going against relative provisions of the Public Service Management Code (PSMC). Moreover, testing revealed that the approval granted allowing a maximum of two hours daily to be worked as overtime by the authorised officers, was regularly exceeded during the first six months of the year, without covering approval. This Office also noted an increase of 50% in overtime hours during the last six months of 2014. Further testing revealed that during 2014 overtime was performed by various officers, without a prior approval by the then PS, and without deductions for break-time.*

- It is recommended that overtime hours would be adequately justified and reduced to an acceptable low level. Approvals are to be in line with the PSMC requirements, not to instigate any form of abuse or ethical misconduct. Whenever possible, overtime should be limited to ad hoc assignments with specific targets to be attained.*
- Moreover, break periods are to be taken by all officers working for more than six consecutive hours, as required by law, whilst all overtime must be adequately approved in advance. This will render a more efficient environment vis-à-vis personal emoluments, to ascertain value added to the Ministry and Government in general.*

### **Developments: *Fully Implemented***

Management stated that in relation to overtime requests and approvals, the Ministry is abiding by the procedures as laid out in the PSMC, with the PS being responsible for the regulation of all overtime work within the respective Ministry. As per directives, necessary prior approvals are being sought for periods not exceeding three months. Furthermore, the Director Corporate Services and related heads of section are ensuring that pre-approved overtime thresholds are eventually not exceeded.

This Office noted that overtime requests from June 2017 onwards were minimal, with direction given by the PS to keep the overtime component to a minimum.

Additionally, Management informed the NAO that working hours are being recorded on a payroll system, which system caters for the monitoring of normal working hours, together with break periods and overtime hours worked.

## Control Issues

### *Shortcomings in relation to General-Use Vehicles*

*In April 2013, an approval was obtained from the Financial Policy and Management Division within MFIN, for the rental of three vehicles for one month. This approval instructed that two vehicles should be procured after expiration of the period in question, whilst the rental of the third car should be terminated, unless a specific request is made to the OPM. However, the NAO noted that the rental of all the general-use vehicles went ahead, at least up to November 2014. Audit testing further revealed that no rental contract with the selected supplier was available.*

*Moreover, the MEH confirmed that no logbooks were being kept to record the journeys made by general-use cars used during 2014.*

- It is recommended that the Ministry follows the provisions of MF Circular No. 4/2005 'Purchase/Lease of Motor Vehicles', and abides by the directions given by MFIN with respect to the rental or purchase of such vehicles.*
- The Ministry is also expected to maintain a proper logbook for each of its general-use vehicles, in line with Government standing regulations.*

### **Developments: Partly Implemented**

Further to this Office's request, the MEW submitted one of the two Leasing Agreements with respect to two of its general-use vehicles, dated 9 June 2014 for a period of four years. With regard to the missing agreement, the MEW stated that the latter was entered into by another Ministry and was in the process of acquiring a copy of this Contract. However, no such documentation was made available to this Office by the time of writing.

Additionally, for the year under review, the MEW was in the final stages of procuring three low-emission vehicles for the Ministry. No irregularities were noted in this respect.

The NAO satisfactorily noted that logbooks are being maintained for the Ministry's fleet. A review of logbooks pertaining to three vehicles however revealed some minor shortcomings which needed to be addressed, such as:

- discrepancies in readings between journeys;
- missing monthly certification; and
- signature of the officer making the journey also at times missing.

With regard to the procurement of fuel, this Office queried the MEW about the rationale behind the selection of a particular petrol station for refuelling, since on two separate occasions, journeys of circa 20 kilometres each were made solely for the purpose of procuring fuel. Subsequently, Management indicated that the Ministry is using this supplier " ... as named petrol station was identified as preferred fuelling station by Hon Minister's Secretariat, according to their requirements".

Finally, one of the general-use vehicles tested did not display the Department's name on both sides of the car as per the PSMC directives. Management confirmed that applicable logos have been ordered and were to be eventually affixed on respective vehicle.

In reply to the abovementioned shortcomings, the MEW confirmed that all previously leased vehicles were returned to the respective suppliers and new vehicles were procured through an open call for tenders. Additionally, these new vehicles were fitted with a tracking system in order to improve usage accountability.

### **Discrepancies in Inventory**

*During the physical review of selected items on the inventory list provided by the then MEH, it was noted that there were a number of discrepancies between the list provided by the Ministry and the inventory on site. Testing revealed that a number of items present at the offices were not traced to the inventory list. Furthermore, a number of items listed in the aforementioned list were also not traced on site. This Office also noted that all inventory items inspected were not tagged with a unique serial number, thus it was impossible to match this item to the inventory list.*

- *It is recommended that periodic checks are carried out on inventory items to ensure that any discrepancies are recognised. Moreover, inventory items are to be identified with a unique code for ease of reference.*
- *Fixed asset additions are to be immediately forwarded to the officer in charge of inventory for eventual recording in the respective records, to safeguard assets owned by Government.*

### **Developments: Fully Implemented**

Management confirmed that inventory is being updated and encoded every six months as per MF Circular No. 14/99 – 'Inventory List'. To this effect, last submission to the Treasury Department was made during December 2017, while the next submission is due in June 2018. Furthermore, the MEW submitted to the NAO the inventory lists for the year under review.

Additionally, Management confirmed that direct communication exists between the Finance Unit and the Inventory Offices, thus ensuring that all non-current assets are duly included in the inventory database.

The MEW also stated that an inventory management electronic system has been introduced. Through barcoding of all assets, this system should facilitate the traceability function of such assets by the designated Officers.

### **Compliance Issues**

#### **Lack of Compliance with Standing Travel Regulations**

*It was noted that no boarding card stubs were traced in relation to the five trips selected, whilst no agenda was available to indicate the reason for travel in two of the cases tested. Moreover, no quotations for flight tickets were traced.*

*The Ministry was recommended that:*

- *The provisions of the PSMC are to be invariably adhered to with respect to travelling expenses, to ensure that appropriate budget provisions are made and the most competitive prices are obtained.*

- *Additionally, reports on each visit are to be compiled by the attending officer(s) by not later than one month after the visit, to enhance accountability and to make sure that any issues are adequately followed up.*

**Developments: Fully Implemented**

Two visits abroad on official business were selected in order to determine whether travel arrangements, flights, accommodation and contingency money were in line with the PSMC requirements. No material issues were noted.

**Value Added Tax Returns not Submitted**

*Upon the NAO enquiry, the then MEH confirmed that it did not forward the quarterly Returns reporting fiscal receipt defaulters, which it should be submitting to the Value Added Tax (VAT) Department in accordance with the then Ministry of Finance Circular No. 2/2012.*

*Management is to ascertain that pertinent regulations are adhered to and Returns are submitted to the VAT Department on a regular basis to report defaulters. 'Nil' Returns are to be forwarded accordingly.*

**Developments: Fully Implemented**

Management confirmed that the VAT quarterly Returns are being submitted in compliance with existing directives, copies of which were forwarded to this Office.

**Conclusion**

The NAO satisfactorily noted that the majority of shortcomings were addressed by the MEW. However, tighter controls over the attainment of DO, have to be implemented.



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Follow-Up Reports by the  
Performance Audit Section

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# The General Practitioner function – The core of primary health care

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## Background

This follow-up audit reports on the progress registered since the publication, in June 2016, of the performance audit report: *The General Practitioner function – The core of primary health care*. Issues and conclusions presented in this follow-up audit reflect information available to the National Audit Office (NAO) as at end July 2018.

The 2016 Report concluded that the General Practitioner (GP) services provided through health centres and peripheral clinics increasingly focused on health promotion, disease prevention issues and sought to further embrace continuity of care principles. However, despite the high levels of satisfaction from service users, in its set-up, the further extension of patient-centric approaches entailed addressing factors relating to social, economic, financial, operational and management issues. This Report also noted that the opportunity exists for further exploiting the interrelationship and potential synergies of private and public sector collaboration. Furthermore, through closer stakeholder involvement, the public GP function can further contribute towards placing primary health care at the fulcrum of national health services.

## Audit scope and Methodology

In view of its findings and conclusions, the NAO proposed a number of recommendations, where their implementation will be the primary focus of this follow-up audit. For the purpose of this follow-up study, the NAO retained the objectives from its 2016 Report that sought to determine the degree to which:

- a. operations related to the GP function render the relative services accessible and qualitative in terms of attaining primary health care objectives;
- b. organisational and administrative structures facilitate service delivery; and
- c. services provided are cost-effective.

The undertaking of this performance audit mainly entailed conducting semi-structured interviews with key officials at the Primary Health Care (PHC)<sup>1</sup> and the review of relative documentation. In order to illustrate the progress attained by the competent authorities in implementing the NAO's proposals, this follow-up report is reproducing the key recommendations in italic text. These proposals addressed the broadening and extension of the GP function, the shifting of budgetary allocations, the strategic measures and plans undertaken, budgets allocated to the PHC, Information Technology (IT) issues as well as service delivery concerns. The progress registered in connection with these recommendations together with their development is presented directly below each proposal. In this regard, a recommendation whereby PHC has registered satisfactory progress in its implementation but not completed is defined as "partly implemented". On the other hand, a recommendation whereby all relevant work was carried out is classified as "implemented".

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<sup>1</sup> A change in the service provider nomenclature materialised and thus the than Primary Health Care Department (PHCD) will be referred to as Primary Health Care (PHC).

## Implementation of NAO Recommendations

### **Recommendation: PHC is to increase its collaboration with the private sector**

*PHC is encouraged to increasingly assess the feasibility of broadening and extending the GP function through exploiting the complementarity of services provided by doctors in the public and private sectors. PHC can build on the experience accrued by the national public health services through the various initiatives already undertaken in this regard - such as those involving Private Public Partnerships and contracting out. In view of the complexities involved, it is imperative that all stakeholders are involved and actively engaged at the outset.*

#### **Developments: Partly Implemented**

- a. PHC stepped up its efforts to improve the private GP access to medical information available at National Health Service level. Private GPs have access to MyHealth and Isoft systems where the former relates to the patient pathway and the latter provides access to diagnostic tests. More recently, private GPs were also given access to the Zero foot Print (ZfP) platform, which provides x-rays results.
- b. PHC is collaborating with the Information Management Unit (IMU) within the Ministry for Health on the Electronic Patient Records (EPRs) project. This will enhance collaboration with the private sector, as this interface will maintain electronic records of patient visits in primary care. This initiative is co-financed through European Union (EU) funds and is planned to be available to GPs by June 2020. This project is still in its preliminary phase since the tender is scheduled to be awarded during October 2018.
- c. As part of implementing its primary health care strategy, PHC is exploring alternative ways to collaborate further with the private sector. In this regard, PHC has plans to liaise with the Family Doctors Association to identify further ways of collaboration.

### **Recommendation: Health sector budgetary allocations is to shift in favour of the primary health care**

*Consideration is to be given to increasingly shift budgetary allocations within the health sector in favour of primary health care. This will not only enable more services to be provided at community level, but in the long-term result in a high rate of return in term of social and economic benefits.*

#### **Developments: Partly Implemented**

- a. PHC recognises that the refurbishment programme, which includes the modernisation of both Health Centres' and Community Clinics' infrastructure and equipment, is key to such an endeavour. PHC is estimating a cost of around €21 million to address its refurbishing programme requirements between 2018 and 2021. In this regard, PHC stepped up its efforts to secure additional funding to hasten the refurbishment programme.
- b. By end 2017, Mater Dei Hospital (MDH) offloaded 20 services to PHC. Five of these services specifically relate to the GP function, namely the Anticoagulant POC, Diabetes Clinic, Schedule V, Scoliosis and Fibromyalgia. Moreover, GPs are now collaborating with other clinical specialties such as those related to Orthopaedics and Cardiac. However, these 20 services with an estimated direct cost of over €3.1 million were financed through PHC funds rather than through an additional budget. While allowing for existing spare capacity, the foregoing implies that around 11 percent of PHC's annual recurrent budget of €27.8 million was absorbed to roll out these 20 additional services to the detriment of plans to broaden the scope and coverage of primary health care functions.



**Recommendation: PHC is to establish specific timelines for its strategic measures**

*PHC is encouraged to elevate the strategic measures listed in the National Health System Strategy for Malta (NHSS) and other documents into implementable project plans. This entails that the resources required as well as the implementation timeline are established. The NAO, nonetheless, recognises that PHC initiatives would remain dependant on the commitment of all stakeholders, particularly with regards to budgetary allocations. To this end, the NAO acknowledges that during the conclusive phase of this audit, PHC compiled the document, “Primary Health Care Department Strategy, 2014 – 2020, Towards a Sustainable Health Care System”. The Ministry of Health formally adopted this Document.*

**Developments: Partly Implemented**

- a. PHC’s strategy, which was also approved by the Ministry for Health, is reflected in the document entitled “Primary Health Care – The Way Forward Proposal”. Up to July 2018, PHC commenced the implementation of 14 out of the 21 measures.
- b. The aforementioned document and the NHSS as well as the “Primary Health Care Department Strategy, 2014 – 2020, Towards a Sustainable Health Care System” do not refer to implementation timelines. Such a situation is materialising as PHC is still awaiting the allocation of the funds to enable the implementation of key projects. PHC contends that it would be futile to specify project milestones unless financing is secured. In the circumstances, PHC is constrained to identify priority measures, which can be implemented through the annual financial allocation. The lack of financial commitment is hindering PHC’s long-term planning and the implementation of its strategic measures.

**Recommendation: The Chronic Disease Management Clinic is to be provided across all health centres**

*Efforts are to be stepped up to introduce the Chronic Disease Management Clinic across all health centres. The introduction across all health centres further promotes continuity of care and patient centric principles and, in the long-term will improve the cost-efficiency of the GP function. PHC confirmed that this project will be implemented by end 2017 as GP training programme will start again at the end of 2016.*

**Developments: Implemented**

- a. By January 2018, PHC had successfully implemented the introduction of the Chronic Disease Management Clinic across all Health Centres in Malta. The introduction of such a service is an important step in the provision of primary health care since it is conducive to continuity and preventative health care.
- b. The policy direction in May 2018 designated Gozo Health Centre and Community Clinics under PHC’s remit. This move necessitated that PHC reengineers the Gozo GPs rosters. This exercise aims to bring the services provided by PHC in Gozo at par with that of Malta.

**Recommendation: PHC is to shift the balance of its services from immediate care towards healthy promotion and disease prevention**

*PHC is encouraged to continue in its quest to shift the balance of its services from immediate care towards health promotion and disease prevention. The opportunity exists for PHC to build on current awareness campaigns by encouraging GPs to reemphasise the messages of these campaigns during patient visits. Additionally, there is scope for greater coordination between PHC and the Health Promotion and Disease Prevention Directorate, in terms of strategic approaches, GP training and referrals to special health awareness classes provided by the latter.*

### **Developments: *Partly Implemented***

- a. PHC is continuously collaborating with the Health Promotion and Disease Prevention Clinic (HPDPC) on awareness campaigns. Such campaigns relate to the Influenza Vaccinations, the Cancer Screening, the Kidney Awareness and the Diabetes Campaign. These campaigns aim to reduce the occurrence of diseases as well as to help patients to keep in check and minimise the effects of prevailing health conditions. Through such campaigns, PHC aims to shift the GP function more towards health prevention rather than health repair.
- b. PHC has also embarked on another initiative to raise awareness regarding health promotion and disease prevention. GPs, nurses, podiatrists and physiotherapists are delivering presentations regarding a range of personal health topics at Local Councils.
- c. Over the years, PHC maintained its presence on radio and TV programmes to promote the services provided and primary health care. Between January 2017 and July 2018, PHC participated once monthly on two radio stations.
- d. PHC engaged a Dietician and Nutritionist to deliver related services to supplement GP led clinics. The Nutrition Service includes the weight management programme and nutrition talks. In this regard, from February until the beginning of July 2018, 58 patients attended the weight management programme and 413 people attended the community based nutrition talks. The Dietician service between November 2017 and June 2018 dealt with 534 new cases and 423 follow-ups. However, to date, Dietician related clinics are available at Rabat and Cospicua Health Centres while the Nutritionist's service is available from the community clinics in Birkirkara, Zurrieq and Xewkija. PHC contends that the broadening of these services to other localities is dependent on resource availability.

### **Recommendation: *PHC is to increase its strategic, management and operational collaboration across health centres in Malta and Gozo***

*Consideration is to be given to increase strategic, management and operational collaboration across health centres in Malta and Gozo. This will ensure a higher degree of service harmonisation and customisation as well as the sharing of experiences in service development. The latter particularly refers to the reengineering and extension of primary health care services in Gozo through collaboration, in the form of partnership agreements with the private sector.*

### **Developments: *Partly Implemented***

- a. Following a Government policy direction in May 2018, responsibility for the Victoria Health Centre and all the Community Clinics in Gozo was transferred under the umbrella of the Primary Health Care (Malta). This policy direction entailed that PHC embarks on the following three initiatives:
  - PHC is liaising with architects regarding the new building, which will be hosting Victoria Health Centre as of April 2019. This building will enable PHC to provide a wider range of services, which will influence the provision of both the GP function and other ancillary services.
  - PHC prepared a plan to reengineer GP services at Victoria Health Centre and Community Clinics in Gozo to bring them at par with Malta's health centres. At the time of drafting this Report, this plan was still subject to Ministerial approval.
  - The PHC's human resources plan identifies that primary health care in Gozo needs to be supplemented by a number of GPs and other medical professionals. The complement required will

reflect the opening hours of the new Health Centres. In this regard, if the Centre will be open on a 24-hour basis, an additional 23 GPs will be required.

**Recommendation: PHC is to strengthen its financial management information**

*As a matter of critical importance, the accessibility of financial management information is to be strengthened. While acknowledging that in recent years PHC engaged more personnel to oversee financial information, the Finance Section still needs to be supported through investment in the appropriate ICT infrastructure. The availability of robust financial management information would increase transparency and accountability as well as augment PHC ability to undertake more definitive project appraisals – the latter being a critical element of ensuring the financial sustainability of services.*

**Developments: Partly Implemented**

- a. PHC has recently strengthened its Financial Section through the recruitment of additional staff, who possess higher qualifications in finance and accountancy. To further improve the performance of the Financial Section, PHC is providing on-going training to its administrative staff.
- b. PHC aims to install the Government Financial and Management System (GFMS) ERP Platform or the iStock System (whichever is made available first) to facilitate financial management. In this regard, during the first quarter of 2018, PHC has installed the iStock IT system as part of the aforementioned system. The aim of this system is to be utilised as a fully-fledged inventory system to maximise control and accountability in the use of consumables. Additionally, the “iStock Financials” which is also another component of the platform, will be utilised to carry out cost-based accounting in terms of specific health centre and functions. It is envisaged that this system will be available by the end of 2018.

**Recommendation: PHC is to better utilise its Information and Communications Technology systems**

*Similarly, PHC is encouraged to better utilise ICT available, such as Clinical Patient Administration System (CPAS), to ascertain accurate contact patient statistics. Such information would strengthen strategic planning and management control of PHC’s operations.*

**Developments: Implemented**

- a. PHC management delivered presentations to receptionists, Principal GPs and nurses to ascertain the accurate, consistent and continuous use of the Clinical Patient Administration System (CPAS). Furthermore, PHC management liaise continuously with CPAS technical officers regarding any data anomalies.
- b. Additionally, during the beginning of 2018, PHC initiated an analytical exercise to determine the quality of GP services provided at HC’s level, its cost effectiveness and added value in terms of benchmarking against health related performance indicators. This exercise, which involves observation and data analyses, will serve as an input to the possible remodelling of the GP services provided through Health Centres and Community Clinics.
- c. PHC is planning for further data analytics results to be made available through the Electronic Patient’s Records ICT System. The tender for the latter system is scheduled to be adjudicated during October 2018.

### **Recommendation: All Bereġ are to have the facilities to issue e-prescriptions**

*Efforts related to the enrolment of e-prescription facilities at Bereġ are to be expedited. However, this is dependent on the appropriate investment in ICT. Although considerable, the benefits of such an investment would be visible in the short-term as the use of ICT would either decrease the level of resources deployed or enable the extension of services at Bereġ with the same staffing levels. PHC contends that the computerisation of the prescription services will be implemented by end of 2017.*

#### **Developments: Partly Implemented**

- a. ICT connectivity is available in 90 per cent of the Community Clinics in Malta, thus facilitating the provision of computer-generated prescription. PHC management confirmed that presently they are in discussion with third parties to ascertain that the remaining 10 per cent of the Community Clinics in Malta are also connected to ICT.
- b. The connectivity of ICT within the 10 Community Clinics in Gozo is at its initial stages, with such facility only available in the Xewkija Berġa. As the Gozo Bereġ has just been included under PHC's umbrella, PHC is still taking stock of the situation. However, PHC is planning for all Community Clinics and the Victoria Health Centre to have access to computer-generated prescriptions.

### **Recommendation: PHC is to coordinate with MDH's Accident and Emergency Department to minimise the incidence where patients seek the latter's attention unnecessarily**

*PHC is encouraged to further coordinate with MDH's A&E Department to minimise the incidence where patients seek the latter's attention unnecessarily as they could be provided with the required care through the GP function at health centre level. To this end, information campaigns would also contribute towards decreasing the volume of Emergency Severity Index (ESI) 4 and ESI 5 patients at MDH. Dealing with this category of patients at health centre level is conducive to a more patient centric approach, relieves the pressure from MDH's resources and infrastructure, as well as reduces the overhead costs.*

#### **Developments: Partly Implemented**

- a. PHC is increasingly collaborating with MDH to provide a better service to their patients as well as to address cost-efficiency issues. An initiative in this regard relates to the absorption of ESI 4 and ESI 5 A&E patients, by the primary health care GPs. To date, however, the situation where a substantial number of patients visit the A&E rather than a health centre prevails.
- b. The prolonging of the modernisation / refurbishment programme of Health Centres is hindering PHC from further absorbing MDH's ESI 4 and ESI 5 patients. To this effect, the envisaged two Regional Hubs will eventually also contribute towards the absorption of these patients.

### **Conclusions**

In broad terms, the ten recommendations proposed by NAO in 2016 mainly deal with strategic, operational, budgetary and IT issues. This follow-up audit generally showed that PHC has actively embarked on implementing these recommendations. To this effect, two proposed recommendations have been fully implemented while substantial work has already been undertaken with respect to the remaining eight.

At the strategic level, PHC has compiled a strategy, which deals specifically with primary health care. While acknowledging the importance of such a step, this document is still to be supported with the required financial and human resources.

PHC has also recognised the strategic importance of the private sector's contribution to the health sector and that closer collaboration between the two sectors constitutes a critical building block in enhancing primary health care in Malta. Given that patients regularly oscillate between the two sectors, PHC is facilitating collaboration by providing access of patients' pathology and x-ray results to private sector doctors. Despite, this progress, PHC acknowledges that other initiatives in this regard are necessary, like the sharing of patients' medical records. Such initiatives are consistent with patient centric and efficiency principles. Nonetheless, it is recognised that such collaboration is a complex endeavour, involving various issues and stakeholders.

At the operational level, the public primary health care services now fall within the remit of PHC in their totality since the remit of the latter has been extended to cover Gozo. This will ensure a homogenous provision of service. Operationally, PHC is increasingly embracing the concept of health maintenance rather than solely focusing on health repair. To this effect, every health centre in Malta provides a chronic disease management clinic. Additionally, dietary and nutritional clinics are provided through a few community clinics. It is augured that the coverage of these latter services is extended throughout all localities in the short-term. Despite the operational improvements at PHC, many patients still opt to refer to MDH's A&E when they can be treated just as effectively at health centres. Although discussions between PHC and MDH about this issue are ongoing, the situation prevails to the detriment of higher public costs and waiting times at the A&E.

IT is a critical component of PHC's effectiveness. Since the publication of the 2016 performance audit report, PHC has made significant improvements in this area. Nonetheless, there remains ample scope to widen the use of information technology to strengthen the maintenance of medical records and to enhance management control over PHC's operations.

This follow-up audit acknowledges the positive steps being undertaken by PHC to strengthen its GP function and the services provided by health centers in general. However, a paradigm shift in the provision of primary health care can only be sustained through the allocation of adequate capital and recurrent budgets. With respect to the former, steps have already been taken to establish two regional hubs, which will certainly encourage the provision of public health services at the community level. This will in the long-term prove cost-effective and contribute towards shifting a culture from health repair to health maintenance.

# Enforcement action by MEPA within the Outside Development Zone

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## Background

This follow-up audit aims to report on the progress registered since the publication of the performance audit report: Enforcement action by MEPA within the Outside Development Zone, which was published in September 2013. Issues and conclusions presented in this follow-up audit reflect the information made available to the National Audit Office (NAO) as at end August 2018.

The 2013 Report concluded that the former Malta Environment and Planning Authority's (MEPA) enforcement function within the Outside Development Zone (ODZ) was still in the process of evolution. The Authority's enforcement function was characterised by a backlog of cases, including outstanding Executable Enforcement Notices (ENs). The Enforcement Directorate lacked the adequate level of resources and administrative capacity. This Report also noted that due to the lack of funds, MEPA was not in a position to embark on Direct Action (DA) and remove the irregularities itself, at the contraveners' expense when identified. Furthermore, a comprehensive Information Technology (IT) infrastructure was not available to support the Enforcement Directorate's operations. At the time of this audit, MEPA introduced Daily Fines to sustain the Authority's efforts in encouraging contraveners to self-regulate their own position in cases of breaches of environmental and planning legislation.

Two major organisational developments that occurred since the NAO's 2013 Report influenced the context of this performance audit. These changes namely relate to MEPA's 2016 demerger into the Planning Authority (PA) and the Environment and Resources Authority (ERA), as well as, the newly formed Compliance and Enforcement Directorate within the former Authority. Nevertheless, the PA's newly formed Directorate has assumed the majority of duties and responsibilities of the former Enforcement Directorate within the former MEPA, and consequently was considered as the main auditee for the purpose of this follow-up audit.

## Audit scope and Methodology

In view of the findings and conclusions emanating from the 2013 performance audit report, the NAO had proposed a number of recommendations, the implementation of which is the primary focus of this follow-up audit. For the purpose of this follow-up study, the NAO retained the same objectives of the 2013 Report, which sought to determine the degree to which the PA's Compliance and Enforcement Directorate:

- a. is equipped with the appropriate resources to enable effective enforcement;
- b. has developed policies and Standard Operating Procedures (SOPs) to ascertain efficient, consistent and effective execution of the enforcement function;
- c. detects irregularities as well as issues and processes ENs expediently and effectively; and
- d. appropriately implements enforcement decisions, in terms of the relevant Direct Action (DA) when necessary, the restoration of the site in question and the recovery of the relative enforcement costs from the contravener.



The findings and conclusions presented in this follow-up report are primarily based on a number of interviews carried out with key personnel at the PA's Compliance and Enforcement Directorate and a review of documentation and case statistics maintained by this Directorate.

In order to illustrate the progress achieved by the Directorate in implementing the NAO's recommendations, this Report reproduces the recommendations proposed in the 2013 Report in italic text followed by an outline of the progress registered. The ensuing text also classifies implementation progress in three self-explanatory categories.

## Implementation of NAO Recommendations

### **Recommendation: *Needs analysis study is essential to determine the human resource requirements for increasing enforcement coverage within the ODZ***

*MEPA's enforcement function is to be supported through the appropriate level of resources. This is a prerequisite to increasing enforcement coverage within ODZ, dealing more effectively with the backlog of pending or stalled ENs, and implementing the recent legislative amendments, such as those related to Daily Fines in a more objective, consistent and efficient manner. Towards this end a needs analysis study is to be conducted to identify current and medium-term human resource requirements.*

#### **Developments: *Implemented***

- a. The Planning Authority's (PA) Compliance and Enforcement Directorate relied upon past experience as well as the trend in workload to assess its current and medium-term administrative capacity requirements. However, this exercise was not formally documented. Nonetheless, PA's initiatives in this respect are evident through an increase in the number of Outside Development Zone (ODZ) Enforcement Officers (EOs). The current complement comprises fifteen officers; three managers, and a Unit Manager, coupled with the imminent addition of another three officers within the ODZ Unit.
- b. Furthermore, the increase in staff complement enabled the Compliance and Enforcement Directorate to adopt the internal policy of assigning a lower number of cases to ODZ EOs, as opposed to officers responsible for the Development Zone (DZ). This follow-up audit has noted that in 2017, for instance, the average complaints caseload per ODZ Enforcement Officer was 35 per cent lower than that of the DZ counterparts, that is, an average of 100 cases and 154 cases per year respectively. Hence, ODZ officials are able to increase the surveillance of the respectively assigned area, thereby enabling the adoption of a more pro-active approach to identify potential irregularities. Within this context, the Compliance and Enforcement Directorate are encouraged to identify their long-term administrative capacity requirements through a formal needs assessment exercise.

### **Recommendation: *Policy decisions with clear timeframes are required for the re-visiting of outstanding executable Enforcement Notices and the respective enforcement action***

*Policy decisions are to be taken regarding the approach to be adopted by the Enforcement Directorate when dealing with outstanding Executable ENs. Such policies should provide clear timeframes for the Directorate to re-visit these cases and, if applicable, to embark on the appropriate enforcement action.*

#### **Developments: *Implemented***

- a. This follow-up audit has noted that the PA's Compliance and Enforcement Directorate contended that the backlog of Executable Enforcement Notices (ENs) and the respective Direct Actions (DAs) were being prioritised on the basis of three major criteria. These namely include illegal developments that may cause environmental damage, block public access and/or cause injury to amenity.

- b. To this end, in 2015 the Directorate removed seven illegal scrap yards that were located within the ODZ, whilst in 2016 it focused on the removal of 33 illegal billboards and in 2017 addressed seven illegal 'change of use' in ODZ to residential and commercial uses. Moreover, the Directorate issued internal directions, setting timeframes for the revisiting of outstanding enforcement cases.

**Recommendation: Formally approve an Enforcement Charter that covers all the critical stages of the enforcement process including the relative mechanisms to ensure the full implementation of such guidelines**

*MEPA's Management is to formally approve recently drafted guidelines, namely the Enforcement Charter, relating to the critical stages of the enforcement process. Moreover, as a matter of priority, the Authority is to establish the relative mechanisms and ensure their full implementation. Adherence to the provisions of these guidelines will increase the efficacy, transparency as well as facilitate management control over the enforcement function.*

**Developments: Implemented**

- a. In 2013 the then MEPA Board introduced the 'Enforcement Protocol', which was subsequently amended and approved to ascertain its validity. The major scope of this Protocol is to provide the required guidance to EOs, including the respective timeframes, particularly with respect to the issuance of ENs and the ensuing follow-up action.
- b. The new 'Artemis' IT system includes minutes by the Planning Commission Secretariat to notify the refusal of any application to sanction submitted by Contraveners, however, EOs might not always issue an EN expediently. The Directorate mitigates this situation through its monitoring function by flagging instances of prolonged action.

**Recommendation: Limit as much as possible the involvement of Enforcement Officers in the validation of PAs**

*The current practice whereby enforcement officers validate PAs submitted is to be reviewed. Curtailing the involvement of enforcement officers in direct work associated with PAs removes any potential conflict of interests and consequently, further strengthens the independence and objectivity of the enforcement function.*

**Developments: Implemented**

- a. This review has noted that since the publication of the 2013 NAO Report, the Compliance and Enforcement Directorate contended that EO's are no longer involved in the validation of applications and they communicate with application case officers only where the application does not sanction all the illegalities on site and there is a pending enforcement notice on the site. In the event that an application does not sanction all the illegalities on site (either the drawings or the proposal description), EOs are required to inform the respective case officer and his/her Unit Manager through the PA Stream of 'Artemis'. This ensures that an eventual permission actually sanctions all the illegalities on site and which are covered by an enforcement notice. Otherwise there may be instances where only part of the illegalities are sanctioned and then a fresh application to sanction the rest of the illegalities identified by the enforcement officer would need to be submitted.
- b. In addition, the Compliance and Enforcement Directorate contended that since EOs inspect sites to monitor illegal developments, it is undesirable to require case officers to inspect the same sites to verify whether applications sanctioned that illegal development. This is in line with the Government's strategy of simplification to limit the number of inspections by the different entities. In this case, these are inspections by the same entity.



**Recommendation: *Implement the Daily Fines mechanism and enforce the polluter pays principle by collecting the money due to the Authority to address outstanding cases***

*The Directorate is to implement the Daily Fines mechanism and ensure that all measures related to the polluter pays principle are enforced. Such measures would discourage contraveners from embarking on illegal development. Furthermore, the collection of money due to the Authority would provide the latter with the required resources to tackle the outstanding Executable ENs.*

**Developments: *Partly Implemented***

- a. Through MEPA's Daily Fines system introduced in November 2012, EOs have an additional tool to persuade contraveners to regulate their own position by removing the illegal development themselves or seek to sanction the irregularity prior to the issue of an EN, that will automatically trigger the daily penalties system.
- b. The PA contended that since MEPA's demerger and the re-naming of the Enforcement Directorate into Compliance and Enforcement Directorate, a higher emphasis is being placed on convincing Contraveners to self-regulate their own position, hence the somewhat limited number and amount of daily fines. The total amount of daily fines issued between 2013 till end 2017 amounted to €1,004,728 (295 cases), while during the same period only €52,312 of the daily fine dues were collected by the PA.
- c. NAO acknowledges the intrinsic difficulties associated with the collection of DA related dues, such as in cases where the contravener has not been identified. However, the effective utilisation of such an enforcement tool necessitates the expedient collection of the relative expenses incurred by the PA, hence the 'partly' implemented status assigned to the 2013 NAO recommendation.

**Recommendation: *The Authority is to undertake comprehensive studies to identify and classify ODZ threats, hence adopting a formal and documented risk-based approach***

*Enforcement work is to be prioritised in accordance with formal and documented risk-based approaches. Towards this end, the Authority is to carry out comprehensive studies to identify and classify major threats to ODZs.*

**Developments: *Not Implemented***

- a. As already noted in developments to a previous recommendation, the PA's Compliance and Enforcement Directorate mainly relies on three main criteria to identify, rank and deal with all the existing threats to the ODZ. To date this criteria has been applied in PA initiatives namely related to scrap yards, removal of illegal dwellings and bill boards as well as dumping.
- b. Despite these initiatives, the Directorate has not adopted a formal and documented risk-based approach by identifying and allocating weights to the various elements influencing the ODZ. The Directorate noted that factors contributing to this state of affairs relate to the demerger of the PA and ERA. Moreover, Ambient Malta is now responsible for the management of Natura 2000 sites. Nonetheless, the Compliance and Enforcement Directorate discussed the implementation of a risk analysis system internally, highlighting the need for a 'priority points system' that classifies the existing threats.
- c. Nevertheless, such a risk-based system has not yet been developed due to the lack of resources and the difficulties encountered by the Directorate to develop a priority points system. This is due to the change in circumstances emanating from the afore mentioned demerger, thereby requiring the PA to focus on its core functions. In the absence of such a risk-based priority system, the Directorate's Management is

providing the necessary guidance to EOs based on their expertise regarding the potential impact of the irregularities in case.

**Recommendation: *The Directorate is to increase surveillance coverage based on the designated level of risk***

*Consideration is to be given to allocate increasing importance to surveillance work carried out by enforcement officers. Effective surveillance work necessitates that coverage is relative to the designated level of risk. Surveillance work should focus more on Special Areas of Conservation and Natura 2000 sites. Scheduled surveillance of these zones will enable the earlier identification of illegalities in these environmentally important zones.*

**Developments: *Partly Implemented***

- a. Since the publication of the 2013 proposals, the responsibility for Special Areas of Conservation and Natura 2000 sites has been transferred to the Environment and Resources Authority (ERA). In the absence of scheduled surveillance that is based on risk, particularly with regard to Scheduled areas, EOs under the direction of the Compliance and Enforcement Directorate's Management decide case priority mainly on the basis of accrued experience. The Directorate generates surveillance work-related daily reports for monitoring purposes. Moreover, the 'Artemis' IT system automatically generates a 'To-do List' for each EO, which presents all the pending tasks that require specific actions. Despite such improvements, which are mainly attributable to the changeover to the 'Artemis' IT system, as noted in developments to a previous recommendation, the identification and classification of risks is critical to ensure that the limited resources are utilised efficiently and effectively to maximise coverage.
- b. This follow-up audit has noted that, PA's Compliance and Enforcement Directorate has, in part, addressed issues related to enforcement coverage through technological investments. To this end, the PA has recently purchased a drone to facilitate the aerial surveillance of more remote areas with limited access. This investment carried out in year 2017 consisted of a drone at a cost of €7,600. By end of August 2018, the two trained EOs used the drone on 10 different occasions.

**Recommendation: *All surveillance work is to be comprehensively documented and supported with the appropriate level of planning, management control and monitoring***

*All surveillance work is to be supported with the appropriate level of planning, management control and monitoring. Towards this end, reporting by enforcement officers should not be based solely on exception reporting but details of the areas inspected and any contacts with third parties are to be fully documented.*

**Developments: *Implemented***

- a. The PA's technological investments following the NAO's 2013 Report included tablet computers and mobile phones for EOs. This resulted in significant operational improvements. These upgrades enabled on-site access to PA's records as well as more detailed reporting including photographs of irregularities.
- b. As already noted in previous recommendations, the introduction of Artemis has resulted in the centralisation of all documentation thus improving communication between PA Directorates as well as eliminating the disadvantages associated with the handling of manual files. Furthermore, the reports that can be generated through Artemis, were also deemed to be sufficiently detailed for effective management and monitoring purposes. On the basis of the foregoing, this review confirms that the level of detail maintained on the 'Artemis' IT system is appropriate and considers this recommendation as being implemented.

**Recommendation: *The Directorate is to ascertain customer care targets, particularly regarding feedback to complainants in view of the importance of this enforcement triggering mechanism***

*Efforts are to be increased to ascertain that customer care targets related to the acknowledgement of complaints and the provision of interim case feedback to complainants are consistently adhered to. These steps should continue to nurture the Authority's relationship with the public and organisations who furnish MEPA with information on potential irregularities, which in turn constitute an important enforcement triggering mechanism.*

**Developments: *Implemented***

- a. The Customer Care unit within the PA has improved its overall service by increasing the number of sources through which complaints may be forwarded to the PA as well as the level of detail that is documented therein. The PA receives complaints through various sources including telephone calls, EOs' on-call service, the mobile Planning Application, the Facebook page, as well as through PA's website. In 2017, the PA has received 763 complaints through these sources, with alleged irregularities within the ODZ. This review has noted that the majority of ODZ complaints that needed urgent attention were related to rural structures, dumping, changes of use to residential or commercial, and excavation works, that is, 37, 15, 5 and 4 per cent of the total complaints received respectively.
- b. All complaints are logged onto the 'Artemis' IT system, which issues a unique identification number that is subsequently linked to the EN number in case a decision is taken for the latter to be issued. A review of the notes stored on the 'Artemis' IT system revealed that all complaints related details are being documented, including details of telephone conversations with complainants.

**Recommendation: *Timeframes are to be established for the inspection of sites aimed at validating irregularities raised in Complaints***

*Timeframes are to be established within which enforcement officers inspect sites to validate the irregularities noted in Complaints. The expedient undertaking of on-site inspections minimises the relative potential environmental degradation.*

**Developments: *Implemented***

- a. Depending on the 'priority level' assigned to each complaint and the additional case information provided through 'Artemis' particularly with regard to ongoing works, EOs are assigned case-specific deadlines. Such deadlines mainly relate to three elements, namely the:
  - period within which EOs are expected to carry out the ensuing first on-site inspection;
  - date when EOs are to provide the necessary feedback to complainants; and
  - the number of days within which the respective complaint is to be closed – that is complainant is informed of the outcome and/or action to be taken in terms of the complaint lodged.
- b. As confirmed by the PA's Compliance and Enforcement Directorate, whilst a priority system has been established, including the respective timeframes, the Directorate is not always managing to deal with such complaints expediently. The Directorate's heavy workload is primarily attributable to the significant increase in ongoing development and the resulting complaints. Moreover, the PA has made available other sources through which complaints can be lodged (as indicated in developments to a previous recommendation) to address the rising demand for such a service in view of the increased public awareness.

**Recommendation: Internal control mechanisms are to be revised to encourage and monitor self-regulation whilst flagging outstanding cases that have exceeded case processing benchmarks**

*Internal control mechanisms are to be strengthened to fully exploit the potential benefits of encouraging contraveners to self-regulate their position within an agreed period rather than issuing an EN at the outset. Towards this end, internal controls should include comprehensive reporting by enforcement officers outlining any agreement with contraveners. Internal controls should also encompass the flagging of cases, which have remained outstanding for longer than pre-determined case processing benchmarks. Robust internal controls related to the encouragement of contraveners to self-regulate their position assume added importance in the light that Daily Fines for contraventions are computed from the day that an EN is officially notified.*

**Developments: Implemented**

- a. Since the 2013 NAO Report, the Enforcement Directorate increased its workforce, introduced additional enforcement related policies, as well as, shifted from utilising the ‘Acolaid’ and manual files systems to the single centralised ‘Artemis’ IT setup. These improvements were automatically conducive to tighter internal controls.

**Recommendation: Case reporting by Enforcement Officers is to be standardised**

*Procedures are established to ascertain standard case reporting by enforcement officers. Standardised reporting constitutes a useful indicator to monitor the output of enforcement officers. Moreover, standardised reporting facilitates the reliable documentation of case history and also takes into consideration issues relating to MEPA’s business continuity.*

**Developments: Implemented**

- a. The shift from ‘Acolaid’ to ‘Artemis’ IT system, as already noted in previous recommendations, introduced compulsory fields to reduce EOs’ reporting subjectivity whilst also including specific validation features. These elements were conducive to a more standardised and effective reporting of enforcement related cases.

**Recommendation: The Shift from ‘Acolaid’ to ‘Artemis’ IT system is to be considered**

*Consideration is to be given in investing further funds and efforts to complete the changeover from the existing computerised system (Acolaid) to the new IT system (Artemis). The new system would eliminate the present fragmentation of information between the two computerised systems and the manual files. Moreover, this would improve processing efficiency by eliminating the resultant duplication of work involved through inputting and maintaining information in various systems.*

**Developments: Implemented**

- a. In May 2015, the PA completed the shift from the ‘Acolaid’ to the ‘Artemis’ IT system, which has since been in use by all the PA’s Directorates. As noted through this follow-up audit, this complete changeover was necessary not only to eliminate the fragmentation of information, but also to eliminate the resultant duplication of work involved through the inputting and maintaining of information in the previously utilised electronic and manual systems.

**Recommendation: The 'Artemis' IT system requires upgrade to enhance reporting**

*The new IT system (Artemis) is to be upgraded to enhance its report generating facilities. This can be achieved by providing users with the facility to generate customised reports. Such an application would further improve management control over the enforcement function.*

**Developments: Implemented**

- a. The PA has upgraded the 'Artemis' IT system to provide the facility to generate customised reports. These customised reports are accessed by the EOs to enable them to monitor and manage their caseload more efficiently and effectively.

**Recommendation: Enforcement Officers are to access case information on-site and report in real time**

*Further improvements to the IT infrastructure shall consider the possibility that enforcement officers are able to access site information and report on their enforcement work in real time. This would entail the use of portable IT equipment by enforcement officers. The benefits of using such facilities would enhance efficiency and audit trails.*

**Developments: Implemented**

- a. Besides the investments in tablets and smart phones carried out by the PA to enable the Enforcement Officers to access case information on-site and report their enforcement work in real time, the PA felt the need to train their Enforcement Officers in the use of these technological tools, to improve their work efficiency.

**Conclusions**

The 15 recommendations proposed in the 2013 Report broadly relate to strategic, operational and administrative capacity issues. This follow-up audit generally yielded positive results as the Compliance and Enforcement Directorate fully implemented twelve recommendations and registered substantial progress in another two. While the PA has accepted the remaining recommendation, it has not yet embarked on implementing this proposal.

The recommendations pertaining to strategic aspects mainly related to the formalisation of policies and operational protocols. To this effect, PA initiatives included the formalisation of an enforcement protocol, the establishment of timeframes related to the processing of enforcement cases. The PA, however, has not yet embarked on formal studies to determine the various elements and their respective weights, which influence the ODZ. This situation prohibits the adoption of a more robust risk-based approach to deal with enforcement cases within this sensitive Zone.

The PA generally implemented operational related recommendations. In this context, the PA's initiatives mainly involved standardized reporting and the comprehensiveness of case documentation. The complete changeover to the new IT system, the 'Artemis', together with the enabling of reporting and accessing site information in real time facilitated these operational initiatives. Additionally, the PA's efforts also led to improved handling of complaints referred to the Authority by the Public. On the other hand, the PA is still in the process of strengthening its methodologies to broaden its coverage of the ODZ. In part, the absence of comprehensive risk assessments was conducive to this situation. While the PA exploited the benefits concerning the imposition of daily fines in cases of sustained irregularities, it is still encountering a degree of problems to collect some of these dues. To an extent, this situation weakens the enforcement cycle.

The PA strengthened its administrative capacity through the engagement of enforcement officers. However, this is seen as a measure to address immediate difficulties, such as the increased development activities. The PA is still to embark on a scientific need analysis to determine its administrative capacity needs.

The PA's efforts to implement the NAOs recommendations are acknowledged, particularly in the face of the demerger of the former MEPA into PA and ERA. While the Authority has carried out substantial work to enhance its work practices, the follow-up audit augurs that the Compliance and Enforcement Directorate is appropriately resourced to enable it to further safeguard the socio-economic and environmental importance of the ODZ.

# Tackling Domestic Violence

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## Background

This follow-up audit reports on the progress registered by the audited entities since the publication of the performance audit report: *Tackling Domestic Violence*, which was published in July 2015. Issues and conclusions presented in this follow-up audit reflect information available as at end September 2018.

Domestic violence (DV), by its very nature, is a largely hidden problem and traditionally considered to be a private matter between family members. The perception on this issue, however, has since shifted considerably and is now considered to be a social concern, as well as a punishable crime. The original report was intended to provide a strategic perspective on the manner by which government operates to tackle DV. To this end, the National Audit Office (NAO) reviewed the operations of seven entities which, in its opinion, are the key government stakeholders dealing with this social challenge. The reviewed entities were: the Commission on Domestic Violence (CDV); Appoġġ Agency; the Police Department; the Courts of Justice; the Department for Probation and Parole; the Health Department; and the Education Directorate.

During its original review, NAO concluded that, although a number of the reviewed government entities do work together on certain aspects of this social concern, no comprehensive framework exists on how all involved entities should work together to tackle this issue in a cohesive manner. Furthermore, this Office made observations on: the prevalent lack of allocated resources; the importance of awareness raising; the need for comprehensively kept and shared information; the value of harmonised training between the reviewed entities; the possibility of setting up a multi-disciplinary victim support team; the necessity to focus on the problem source (that is, the perpetrator); and the importance of an effective enforcement system.

## Audit Scope and Methodology

For the purpose of this follow-up audit, only the CDV and Appoġġ were reviewed, since these were considered as the two main government stakeholders in this matter. Consequently, this follow-up focused on whether these entities have implemented, or otherwise, the recommendations forwarded by NAO in the original report. Within this context, NAO retained the objectives from its 2015 report, which sought to determine:

- a. whether the provided services are presenting the respective users with adequate assistance and remedies for the problem in question, while ensuring that the taxpayer is provided with good value service for the public funds invested;
- b. whether the audited entities are sufficiently resourced to shoulder their assigned responsibilities and whether these same resources are utilised in an efficient, effective and economic manner; and
- c. the manner by which the audited departments cooperate with each other in addressing this issue.

In order to complete this follow-up exercise, NAO listed the most salient recommendations made in the original audit addressed to CDV and Appoġġ, and forwarded these to the Ministry for European Affairs and Equality (MEAE) and the Ministry for the Family, Children's Rights and Social Solidarity (MFCS). The Ministries,



in turn, went through this compiled list and forwarded written feedback to the audit team on progress, or lack thereof, registered on each. Clarifications on the forwarded information were then sought by the audit team both via email and, in the case of Appoġġ Agency, also through an in-depth semi-structured interview. The information gathered through this feedback was backed up by NAO's review of a number of relevant documents forwarded by the same audited entities on the extent of the progress made.

## Key issues

### Commission on Domestic Violence Recommendations

#### **Recommendation: To carry out effectiveness assessments on its awareness campaigns**

*This Office recommends to CDV to carry out effectiveness assessments on the awareness campaigns it carries out. While the benefits of such initiative are undisputed, NAO suggests that the Commission carries out such vetting so it may fine tune its programmes in order to continuously improve its already positive position for transmitting its messages ever further and more effectively.*

#### **Developments: Not Implemented**

The Commission informed NAO that, even though it is keeping records on the number of leaflets and booklets being disseminated every year, to date, it did not carry out any effectiveness assessments. CDV however further highlighted that, with its new organisational structure, an Officer has been designated to see to the campaigning function and assigned with the role of assessing and evaluating information campaigns.

#### **Recommendation: To work with government stakeholders on the data harmonisation project**

*With respect to the data harmonisation project being undertaken by CDV, NAO strongly suggests that the former explores further possibilities of working with additional government stakeholders which may have valuable information on this social challenge. Additionally this Office also urges the Commission to persevere in collecting information from the Courts of Justice.*

#### **Developments: Implemented**

The Commission informed NAO that it brought together the major stakeholders in the field of DV who could contribute in data collection, namely; the Foundation for Social Welfare Services (FSWS)/ Appoġġ Agency, the Department for Justice, the Law Courts, the National Statistics Office (NSO), the Ministry for Health and the Police Force. CDV further highlighted that three voluntary organisations, namely Victims Support Malta, Dar Merħba Bik and Dar Qalb ta' Ġesu, also joined this initiative. These entities together form a research and statistics sub-committee (set up in 2017), with the primary aims of: facilitating the process of data collection and collation between all relevant stakeholders; consolidating the data sources that already contribute; bringing on board more data sources; and exploring further opportunities for research projects.

Queried what this sub-committee has achieved to date, CDV informed NAO that it has registered a number of achievements on this front. As a start, the Commission signed a cooperation agreement with NSO, with the Commission committing to continue facilitating the collaboration between the various stakeholders, and NSO carrying out data collection, collation and harmonisation in adherence with standards required by GREVIO<sup>1</sup>. In addition, NAO was also informed that CDV is currently engaged in a research study together with the University of Malta (UoM), which study aims to assess the financial impact on the local economy generated

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<sup>1</sup> The Group of Experts on Action against Violence against Women and Domestic Violence is the independent expert body responsible for monitoring the implementation of the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence by the Parties



by DV. The Commission further highlighted that it has conducted a one-day seminar with the participation of the European Institute for Gender Equality (EIGE)<sup>2</sup> and initiated discussions on capacity building to sustain this function.

With respect to NAO's specific recommendation for CDV to work closer with the Courts of Justice insofar as data collection is concerned, this Office was informed that CDV's Commissioner met several times with representatives of the Courts, with the latter also being invited to attend a seminar organised by the EIGE in March 2017. Notwithstanding, however, CDV asserted that, to date, statistics are largely not being received from the Courts of Justice, particularly since these still do not have an Information Technology (IT) system capable of capturing the required data. NAO was however informed that, while it considers this issue as the weakest link in the entire data collection system, there are some Courts that have volunteered to individually provide limited statistical information.

**Recommendation: To appoint an Appoġġ representative on the Commission's Board**

*NAO also suggests that the Commission retracts from its views about not having an Appoġġ representative appointed to its Board, considering the valuable expertise and first-hand experience this Agency possesses. To this end, this Office recommends that CDV does not close such an avenue, but rather promote this option should it be consulted by the Minister when appointing Members to the Board.*

**Developments: Partly Implemented**

The Commission recognises that representatives from Appoġġ can bring about expertise and invaluable contributions to the Commission's work. While Appoġġ remains unrepresented on the Board, CDV informed NAO that, as from mid-2016, it has set up various sub-committees which have different but specific aims and with expertise coming from different fields. Through this system, a representative of FSWS/Appoġġ was appointed on the NGO network, research and statistics sub-committee, as well as on the training sub-committee.

**Recommendation: To make the necessary efforts to engage the required human resources and secure further funds**

*With respect to the insufficient human and financial resources issue, NAO recommends that CDV persists in making the necessary efforts so that the required staff are engaged and further funds are secured at the earliest possible opportunity, thereby putting itself in a better position to fulfil its assigned responsibilities.*

**Developments: Partly Implemented**

The Commission has submitted the business plan for the period 2018-2020 and the financial projections for the periods 2018-2020 and 2019-2021. The business plan includes a re-structuring process for the Commission which was discussed with the respective Ministry Officials, board members and relevant stakeholders. While the Commission's budget increased from €72,000 in 2017 to €150,000 in 2018, this is projected to increase further in the future for CDV to be able to increase its staff complement, which augmentation has been approved by the People and Standards Division within the Industrial Relations Unit. However, even though CDV has its organisational structure approved by the Department for Industrial Relations (including the proposed salaries), MEAE has not, to date, given its authorisation to recruit staff.

This notwithstanding, CDV informed this Office that a new legislation is being proposed, through which the Commission is expected to have a distinct and separate legal personality and thus the legal authority to recruit staff and engage in contracts for services which would strengthen CDV's ability to run its operations.

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<sup>2</sup> The European Institute for Gender Equality is the agency mandated by the European Commission to collect and collate relevant statistics from the member states

## **Aġenzija Appoġġ Recommendations**

### **Recommendation: To adequately store relevant electronic data, ascertain adequate electronically documented links and expedite implementation of CMS**

*In view of the less than complete information kept by Appoġġ, especially insofar as electronic format is concerned, this Office recommends that the Agency takes special care in obtaining and adequately storing all relevant data on its clients so that it could better tend to the latter. In so doing, the Agency would also be in a stronger position to formulate its strategy to holistically address this issue. Additionally, this Office also urges Appoġġ to ascertain that adequate electronically documented links between the victim and respective perpetrator are in place so as to enhance ease of reference. When presented with this recommendation, Appoġġ Officials informed NAO that this suggestion was taken on board and currently, an internal exercise is underway to address this issue. NAO also encourages the Agency to expedite the implementation of the Case Management Software (CMS) being developed by MITA.*

#### **Developments: Partly Implemented**

The Domestic Violence Unit (DVU) within Aġenzija Appoġġ is currently using the CMS to keep record of every service user who approached its service and the type of intervention undertaken, as well as the status of each case. NAO was informed that this tool also has the facility to upload any document related to the recorded case. Despite being launched by MITA in 2014, NAO was however informed that the system is not as yet fully functional and that it has not so far been implemented across all departments within FSWS. NAO acknowledges that the full implementation of this tool within all FSWS's entities will significantly improve the visibility of officials throughout the Foundation, putting them in a better position to provide a higher quality of service to their clients.

### **Recommendation: To eliminate waiting lists by taking permanent measures to address human resource shortages and/or have more efficient allocation thereof**

*NAO strongly urges Appoġġ to take the necessary steps to eliminate the waiting list being used by DVU due to lack of resources. This Office recommends that the Agency first conducts an internal review so that it may identify and address any inefficiencies in the manner by which the DVU operates. Should this review be insufficient to address this issue, NAO recommends that Appoġġ explores the possibility of relocating any underutilised resources from its other units. Failing both of the above recommendation, this Offices encourages the Agency to recruit additional staff so that it may attend to all its clients in an adequate and timely manner. When presented with this recommendation, Appoġġ officials informed NAO that, at the time of writing of this report, shortage of Social Workers (SWs) was being mitigated through assigned overtime, the better management of family friendly measures as well as by utilising part-time employment. Appoġġ officials further elaborated that, through such recently implemented measures, in 2014, 61% of its clients were assigned a SW within 10 days of contact. While this Office acknowledges this increase in effectiveness, it however contends that having to resort to overtime allocation cannot be deemed as cost effective. To this end, while NAO perceives the address of the waiting list as one of utmost priority, and consequently appreciates the need of temporary measures even if these are not fully cost effective, it urges the Agency to find a more economic and permanent solution at the earliest time.*

#### **Developments: Partly Implemented**

Appoġġ officials have indicated that, while permanent measures have been taken to address this issue (such as the engagement of a social support worker), the waiting list is now being kept in check, though still largely through temporary measures, such as, the approval of a number of overtime hours for SWs. DVU has contended that, through these measures, any new case is presently being immediately assigned with a SW and given an appointment within one week.

This notwithstanding, the agency is currently in the process of recruiting a number of SWs to reach the ideal complement within the DVU. Appoġġ officials however affirmed that their efforts in this regard are hindered by the shortage in the labour market supply, particularly insofar as SWs are concerned. Specifically, DVU informed this Office that the UoM is currently producing between 25 to 30 newly graduated SWs a year, which quantity is insufficient to fill vacancies across Government entities and NGOs.

In view of this shortage problem, DVU officials informed NAO that discussions with UoM are ongoing and other measures are being undertaken. Specifically, NAO was informed that, in an effort to mitigate this issue, the Agency is approaching students from recognized entities through various measures, such as its presence at the UoM's Fresher's Week, delivering lectures, organising practical placements and summer internships. DVU officials stated that they are currently reviewing the tasks assigned to SWs within the DVU, and exploring how other trained caring professionals would be able to carry out certain specific tasks, with the aim of alleviating the burden from the stretched SWs. In fact, two Social Support workers have been identified to support DVU's SWs.

### **Recommendation: To address Għabex Emergency Shelter's capacity constraints**

*The capacity constraints at Għabex Emergency Shelter (GES) should also be addressed at the earliest possible time. In order to address this issue, NAO perceives four distinct possibilities, namely, to expand the current premises (primarily by building additional floors over the already existing ones), to relinquish the current premises and acquire a larger property which could accommodate larger volumes, to retain the current premises and acquire another property which would serve as a second shelter, or to enter into agreements with other, underutilised accommodation facilities (possibly even within the private sector) to readily provide lodging to victims of domestic abuse. Whichever option selected, NAO urges the Agency to keep in mind the privacy challenges encountered with GES's current setup and consequently strive to limit the number of beds per room to a more acceptable level. In addition, in either opening a second shelter or in entering into agreements with the private sector for the provision of accommodation, Appoġġ would also benefit from added security insofar as keeping the location undisclosed is concerned. In not concentrating all the residents in a single location, perpetrators intent on stalking and harassing their victims would have an added barrier in identifying where their respective victims are residing, with evident benefits to the latter.*

### **Developments: Implemented**

GES, as a first stage shelter, is still in operation and Appoġġ officials affirmed that, with its current complement of 14 beds (including the accommodation provided to children accompanying the service users), and a public private partnership successfully negotiated with Dar Merħba Bik (which can take up to 14 women and accompanying children), enough capacity has been secured to accommodate all service users requesting emergency shelter.

FSWS officials further informed NAO that the Foundation has recently entered into a leasing agreement for an additional property, which will eventually provide shelter to an additional 10 service users. To this end, the Agency has updated its recruitment plans to include the additional resources required to operate its newly acquired shelters.

The Agency believes that in the short to medium term, the above expansions are enough to ensure that Appoġġ has enough beds to accommodate an increase in DV cases triggered by an increase in awareness. The increased capacity also relieves the Agency from the pressures of waiting lists and enables its SWs to dedicate more time in preparing the victims for the latter's reintegration within the community. In addition, the Agency also noted that, in line with NAO's recommendation, having these other shelters also addresses the issue of safety because residents will not be concentrated in a single location but in multiple locations.

### **Recommendation: To embark on aesthetic restorations of premises**

*This Office also suggests that Appoġġ embarks on aesthetic restorations of its premises, be it of its offices as well as its shelter. While this should be largely assigned as a secondary priority when compared to other identified shortcomings which need to be addressed, NAO still perceives substantial benefits from the implementation of such a measure. Following NAO's recommendation, the Agency has informed this Office that some refurbishing works to this effect have commenced.*

#### **Developments: Implemented**

Appoġġ officials informed this Office that a refurbishment project was carried out in 2016, which mainly focused on GES's interior and its yard. This work was undertaken by FSWS maintenance personnel and by other companies who supported GES through social corporate responsibility projects. In addition, during January 2017, the shelter was further supported from private sector entities who saw to the increase in storage space and the installation of four new bathrooms. NAO was also informed that the Marigold Foundation had also offered its assistance in this respect, and has consequently been asked to refurbish the yard as a holistic project, with the aim of converting it into a therapeutic and social environment for both adult victims and their children. Additional significant maintenance and refurbishing works of the shelter were also carried out.

NAO was also informed that a number of maintenance and refurbishing works have also been conducted within the Agency's headquarters, so that a healthier environment is offered to both the service users and staff.

### **Recommendation: For Appoġġ to revisit its modus operandi to better assist all victims of Domestic Abuse, irrespective of their gender**

*NAO strongly recommends that the Agency revises its modus operandi so that it better assists all victims of domestic abuse, irrespective of their gender. Given that male victims of this societal challenge are also a reality, NAO urges Appoġġ to actively and specifically cater for this category of potential clients. NAO was informed that this recommendation is being considered and, in fact, preliminary measures have already been implemented. The Agency's officials specifically indicated that DVU is being allocated with man-hours, as necessary, from male SWs (deployed in other Appoġġ Units) with the intention of addressing this issue.*

#### **Developments: Implemented**

Following NAO's original report, Appoġġ adopted a system in which, if a male victim approaches the DVU, he can either be offered immediate attention by a female SW, or else opt to set up an appointment with a male counterpart, who has been engaged specifically for this purpose. While this service started in 2015 and continues to be offered today, DVU officials informed NAO that, to date, only one male victim (from a total of 11 who approached the agency since the initiation of this service) has decided to make an appointment directly with a male SW. Furthermore, NAO was informed that males who approach Appoġġ on issues which are primarily non-DV related, but who may also be suffering from domestic abuse, are being serviced by other sections within the Foundation, and therefore do not fall within the aforementioned figure.

During meetings with NAO, Appoġġ officials further asserted that, through their information campaigns, they are notifying the general public that the Agency is offering DV service to anyone who is suffering from abuse and violence, irrespective of gender. They further emphasised that Appoġġ offers assistance to everyone and does not make any distinctions because the Agency's service is based on the principle of inclusion and the provision of equal opportunities. As an example, DVU officials highlighted the Agency's participation in the campaign '16 days of Activism', in which Appoġġ did not focus solely on Intimate Partner Violence (IPV), but also on Child to Parent Violence (CPV). Notwithstanding the Agency's assertions however, NAO notes that this information campaign was actually called '16 Days of Activism against Gender-Based Violence' and was hosted under the overarching theme "Leave No One Behind: End Violence against Women and Girls". This

observation was confirmed by the Agency in later communication with this Office, with the former stating that this campaign's focus was not intended to be gender neutral.

To this end, when asked by the audit team whether Appoġġ considers organising information campaigns specifically targeting male victims, the Agency's officials strongly disagreed, stating that international studies prove that DV is a gender-based issue prevalent to women victims. Officials affirmed that, when organising awareness campaigns, one has to understand the definition of DV in order to effectively attract the targeted audience. To this end, DVU officials asserted that if awareness campaigns target specifically male victims, these would act as a disservice to women victims since the message being portrayed is one that does not acknowledge gender-based violence. In fact, when planning the Agency's marketing strategies, Officials stated that they need to be careful what and how to share particular information in order to ensure protection for the victims rather than creating further power imbalance between the victim and the perpetrator. DVU officials further asserted that, according to their research and personal experience, they note that women perpetrators are frequently themselves victims of DV, while male victims are typically perpetrators.

Appoġġ officials strongly believe that the limited focus being placed on male victims is not due to a lack of attention from the Agency's part, but rather due to the fact that, in their opinion, more effort on male victims would mean that they would be acting against the true definition of DV.

Appoġġ officials stressed that it has invested considerable energy and resources in order to implement NAO's recommendation, and they further emphasized that the lack of male victims seeking help from Appoġġ does not emanate from a shortcoming from their part. Rather, DVU officials asserted that DV in itself is under reported (for both genders), and the number of cases that approach Appoġġ is in line with ratios emanating from international research. To this end, the Agency is convinced that the low number of male victims reaching out to Appoġġ is a true representation of the situation in local society. During meetings with NAO, Appoġġ officials claimed that their efforts to implement NAO's recommendation were largely futile as they do not consider this service as a priority, and they would rather have used these resources on child victims of domestic abuse.

**Recommendation: To explore possibilities by which to increase perpetrators' interest in attending and completing treatment programmes**

*With respect to the low attendance registered in the Men's Programme, NAO encourages Appoġġ to explore possibilities by which to increase perpetrators' interest to attend and complete the entire programme. While this Office fully acknowledges the challenges in such a task, it also recognises the immense benefits such an initiative may produce and recommends that the Agency invests the necessary resources to find a workable solution.*

**Developments: Partly Implemented**

Appoġġ officials are anticipating that, with the enactment of the new Act, more perpetrators will be identified and directed to use the service, both voluntarily and forcibly through court mandates. The Child Protection Bill, which also stipulates 'treatment orders' for perpetrators of DV, will also serve this purpose once it comes into force.

The Agency's officials also informed NAO that a practice now has been adopted whereby, at the time in which a police report is lodged by the victim, they are called to be present at the relevant station so that they can conduct an immediate risk assessment of the situation. Through this direct contact, the Agency believes it is targeting and attracting more victims and perpetrators to its services.



### **Recommendation: To give due attention to female perpetrators**

*This Office also strongly recommends that the Agency gives due attention to female perpetrators, even if these are less in number than their male counterparts, as these are also a reality which contributes to the overall problem. NAO was informed that the Agency will be taking NAO's recommendation in consideration and in fact, it has already renamed this service to 'Managing Abusive Behaviour' and its respective programme to 'Domestic Abuse Intervention Programme' with the intention of exploring this possibility further in the future.*

#### **Developments: Implemented**

Appoġġ officials informed NAO that they carried out research in September 2015 to determine how many active cases of women who use, or have used force, are known generally to SWs. From this exercise it transpired that 14 women fulfilled the established criteria. A programme for these perpetrators and the relevant training required for SWs and group facilitators, were subsequently identified.

In March 2016, training for delivering a programme designed for women who use force was provided to identified facilitators within the Agency. The programme was introduced within FSWS as well as within various entities who might encounter situations involving women who use force.

Notwithstanding however, Appoġġ officials asserted that, since the service was set up, referrals for this service were insufficient to start a group and implement the programme. Alternatively, however, female perpetrators who were eligible and were willing to receive this help are being supported on an individual basis.

### **Recommendation: To carry out an internal review so as to identify training gaps**

*While NAO once again commends the Agency in its efforts towards interdepartmental training with other government departments, it also urges the Agency to carry out an extensive internal review so that it continually identifies any training gaps which, if addressed, may prove significantly beneficial to Appoġġ itself and its clients. This is especially true in view of current emerging trends.*

#### **Developments: Implemented**

DV is a highly volatile scenario, where new concerns emerge constantly due to evolving factors, such as DV triggered by drugs, criminality, mental health, and conflicts in cultures. Appoġġ acknowledges the importance to keep abreast of these situations, and, therefore, with the new collective agreement in place, will be committing itself to provide training opportunities to all its workforce.

Appoġġ informed this Office that, following NAO's original report, a number of training opportunities were, and are being, provided. The topics covered in this training include CPV, victims' rights, corporal punishment in childhood and others.

### **Conclusion**

NAO positively acknowledges that the vast majority of recommendations it made in its original report have been accepted by both CDV and Appoġġ, with most of these being partially (five) or fully (four) implemented, with one not being implemented. In addition, this Office also acknowledges that, apart from the already registered progress, both entities are intent to continue investing their energies in new initiatives to further improve their services to the relevant stakeholders. Particularly, NAO takes positive note of CDV's efforts in the formation of various sub-committees which include major stakeholders in the field. In Appoġġ's case, NAO commends the increase in the overall emergency shelter capacity and the refurbishments in the GES and Appoġġ's premises. This Office additionally commends the Agency on the training initiatives undertaken since the original study.

NAO however encourages both audited bodies to see to the implementation of recommendations which have, as yet, not been fully implemented. Particularly, NAO urges CDV to ensure the effective assessment of its awareness campaigns so that it may better gauge their performance, while working harder with the Courts of Justice to implement a system which would facilitate the much needed information sharing function.

This Office also urges Appoġġ to explore avenues by which it could address its human resource shortage. Acknowledging that the supply of SWs is somewhat limited, NAO recommends that the Agency intensifies discussions with the UoM with the aim of tackling this problem at its source, particularly by endeavouring to promote this profession further with prospective students. NAO notes that the successful conclusion of such an initiative could be pivotal for the Agency to minimise the use of temporary measures (such as overtime) to address staff shortage, thereby increasing cost effectiveness.

In addition, this Office fully understands that striking the right balance in allocating limited resources to different client bases is not an easy task. While NAO does not contend DVU's affirmation that it is working with male victims and does not close any doors, this Office however here once again urges the Agency to realign its views and endeavour to better project itself with the general public (particularly through awareness campaigns specifically targeted towards each client base) as an entity for all, which is truly targeting all victims of domestic abuse, irrespective of gender, age etc. This Office once again reasserts that, in its view, all victims of domestic abuse are equally in need of the Agency's assistance and that the latter should aim to address any gaps through increased efficiency or human resource capacity if required.

# An Analysis of the Pharmacy of Your Choice Scheme

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## Background

This follow-up audit reports on the progress registered by the Pharmacy of Your Choice (POYC) Unit since the publication of the performance audit report: An Analysis of the Pharmacy of Your Choice Scheme, published in May 2012. Issues and conclusions presented in this study reflect information available as at end June 2018.

The introduction of the POYC Scheme in December 2007 gave patients the possibility to collect the free pharmaceutical products they are entitled to from a private pharmacy of their choice rather than from a smaller pool of locations, that is through Government Health Centres. With the conception of this Scheme, the POYC Unit was set up and tasked with its implementation and management. Specifically, the Unit's overall objectives are:

*"...to facilitate a more comfortable access to the Government's free pharmaceutical service... by shifting this service from the Health Centres and moving it closer to their (the beneficiaries') place of residence – to any pharmacy of the patients' own choice."*

In view of the above, the 2012 report presented National Audit Office's (NAO) assessment on the effective functioning of the Scheme by:

- a. Evaluating the internal operational procedures at the POYC Unit;
- b. analysing the relationships of the Unit with the Scheme's stakeholders;
- c. vetting internal control mechanisms together with the level of corrective action taken when deviations are noted;
- d. studying the movement of pharmaceutical stock throughout the Scheme's operational cycle;
- e. gauging the quality of the POYC Scheme service by gathering end-client and pharmacist feedback through the use of questionnaires.  
and;
- f. comparing the costs associated with the POYC Scheme and the previous system of medicine dispensation, and subsequently offsetting any significant differences with the differences in the quality of service.

## Audit Scope and Methodology

In order to complete this follow-up exercise, NAO listed the most salient recommendations made in the original audit and forwarded these to the POYC Unit. The Unit, in turn, went through this compiled list and forwarded written feedback to the audit team on progress, or lack thereof, on each. Clarifications, verifications and further discussions on the forwarded information were consequently sought during in-depth, semi-structured interviews between NAO and the POYC Unit.

For the purpose of this study, NAO retained the same objectives of its 2012 report and endeavoured to determine whether the POYC Unit has implemented or otherwise the recommendations made by this Office in its original report.



## Implementation of NAO Recommendations

### POYC Stock Movement

#### **Recommendation: POYC representative is to be present during delivery of stock to pharmacies**

*While acknowledging the numerous checks carried out internally within the POYC Unit during packaging, this Office feels it is good practice for representatives of both parties to be present during the opening of the sealed boxes after the delivery of the said stock to participating pharmacies. This is quintessential, as it ensures that the Unit and the respective pharmacist can simultaneously ascertain that the order is correct and therefore eliminate the risk of having a private pharmacist inaccurately declaring not having received a portion of the delivery order. In view of this, NAO strongly suggested that efforts are made so that a POYC representative is present during the opening of boxes and the checking of the delivered products, as is normal convention in most industries during such a procedure.*

#### **Developments: Partly Implemented**

The POYC Unit asserted that NAO's recommendation is implemented in cases where the deliveries contain dangerous drugs, and where the deliveries contain named patient items, that is, items supplied with the name of the patient. During other normal deliveries, the Unit noted that the significant number of deliveries together with the voluminous stock delivered to each pharmacy, present significant time limitations which precludes the checking specified by NAO's recommendation. In addition, the NAO saw how the total value of unsolved reported discrepancies from January 2017 up to April 2018 was €5,686. This somewhat insubstantial figure shows that the checks being adopted, albeit not strictly in line with NAO's recommendation, can be considered as sufficient to manage the related risk.

#### **Recommendation: POYC Unit to adopt a rigid system in which a complete and consistent check is carried out on the stock at each pharmacy**

*Fully supporting the initiative of having visits at pharmacy level by subcontracted pharmacists and pharmacy technicians in order to keep records of the stock situation, the NAO recommended that these representatives are employed to the best of their potential by putting into place a rigid system in which a complete and consistent check is carried out on the stock at each pharmacy. Even at the cost of having to procure more man-hours to achieve this result, NAO still opines that it is preferable to have a more comprehensive system than compromising on costs in such a way that results in a somewhat ad hoc and incomplete system of records.*

#### **Developments: Implemented**

The POYC Unit notes that this matter has been addressed through the introduction of a Service Level Agreement (SLA) in 2015, endorsed by the Ministry for Health, the Malta Chamber of Small and Medium Enterprises (SMEs) and the Pharmacies participating in the POYC Scheme. Though the method differs from NAO's original recommendation, the fiduciary provisions of the said SLA oblige pharmacies to reconcile the Government stock (virtual with physical) within their pharmacy on a quarterly basis and send an Accounts Dispensed Report to the POYC Unit.

#### **Recommendation: POYC Unit to dispose of expired and damaged stock in an adequate manner as soon as possible**

*NAO urged the POYC Unit to make the necessary arrangements so as to dispose of expired and damaged stock in an adequate manner as soon as possible. This should be carried out to minimise the risk of it being a potential threat to the health and safety of those in its vicinity.*

### **Developments: *Implemented***

With regard to the disposal of expired or damaged stock, this Office was informed that this is collected from pharmacies and is kept separate from stock that is to be dispensed. The outer packing of each product is then removed and the product is repackaged in a labelled paper bag to reduce volume. The POYC Unit further asserted that expired stock is sealed in cardboard boxes and labelled clearly as expired before being forwarded to Wasteserv for disposal by incineration. The POYC Unit further highlighted that this process is governed by a dedicated Standard Operating Procedure (SOP) and is performed on an annual basis.

### **POYC Unit Management and Administration**

#### **Recommendations: *POYC Unit to sustain its efforts in trying to secure more human resources and consider the further application and implementation of subcontracting service agreements***

*While fully acknowledging that the recruitment of additional personnel does not solely depend on the POYC Unit and that significant efforts have been made at rectifying this situation by the Unit, NAO was nonetheless concerned about the considerable number of vacant positions in its staff complement. Keeping in view the risks already outlined when operating with a reduced workforce, NAO urged the POYC Unit to sustain its efforts in trying to secure more human resources so as to better mitigate such risks. MHEC support in this regard was considered critical and essential.*

*Alternatively, NAO also suggested that the POYC Unit should further explore the possibility of outsourcing the required manpower. As outlined in the previous chapter, two different subcontracting service agreements are already in place between the POYC Unit and third parties. One such contract related to pharmacist and pharmacy technician services being rendered, while the other concerned the delivery vans and chauffeurs used to distribute stock to the participating pharmacies. As the POYC Unit had already entered into such subcontracting agreements in addressing certain specific requirements, the further application and implementation of these types of arrangements across other aspects of the organisation merited consideration. The implicit advantages associated with this course of action included the flexibility afforded to the POYC Unit in scaling upwards or downwards its subcontracted services, while simultaneously retaining the right to opt out of such agreements if they do not represent value for money.*

### **Developments: *Implemented***

Staff complement issues highlighted in NAO's original report have been largely addressed. In fact, the original report noted that the Unit had a significant number of vacancies (38 from the ideal complement of 100) which puts the POYC Unit at a staffing level of 62%. When this is compared with the current 2018 scenario, NAO observed that the same staffing level has been increased to 91% (12 vacancies from the ideal complement of 134). Despite the improved situation, the POYC Unit contended that the current vacancies, particularly in the technical areas, still cause certain difficulties within its operations. Moreover, the Unit's Chief Executive Officer (CEO) also noted that this issue could be stemming from the fact that the number of pharmacists graduating is not enough to satisfy the demands of the Civil Service which situation is compounded by competition from the Private Sector.

#### **Recommendation: *POYC to provide training on other areas apart from those strictly relating to the Unit's core operations***

*In view of the method of training adopted by the POYC Unit, NAO fully supported the Unit to maintain this system of training and to ensure that the employees' training is regularly refreshed so as to ascertain a continuous high level of expertise. NAO, however, also recommended that the POYC Unit endeavours in providing training on other areas apart from those strictly relating to the Unit's core operations. In so doing, certain issues such as familiarity with the Unit's IT systems may be addressed, thereby resulting in effectiveness and efficiency*

*gains. In addition, the electronic logging of data would enable the POYC Unit to conduct, when necessary and appropriate, data analysis that could potentially contribute towards further improvement of the system as a whole.*

**Developments: Implemented**

During 2017, the POYC Unit organised a total of 10 training courses with topics ranging from Advanced European Computer Driving Licence (ECDL) Courses to Public Procurement Regulations to Change Management. Documentation reviewed by this Office confirms that a total of 16 Officials, five of which being classified as professional/technical personnel (Pharmacists, etc.) attended the said training.

**Recommendation: POYC Unit to invest all the necessary resources in keeping SOPs updated and its staff accordingly trained**

*Given the significant benefits that can be achieved from the SOP system in place at the POYC Unit, the NAO encouraged the POYC Unit to invest all the necessary resources in keeping these SOPs updated and its staff accordingly trained.*

**Developments: Implemented**

The POYC Unit asserted that its SOPs are maintained and reviewed on an ongoing basis with the most recent reviews being carried in Quarter 1 and Quarter 2 of 2018. With regard to the training of staff on such updates, documentation reviewed by the NAO shows that training related to the Unit's Good Distribution Practice (GDP) Guidelines was provided in January 2018 with a total of 26 employees attending the one hour lectures. In addition, the POYC Unit informed the audit team that the GDPs are also reviewed by the Medicines Authority during the annual site inspection for the purpose of the POYC's wholesale distributorship licensing.

**Recommendation: POYC to consider the incorporation of relevant clauses stipulating compulsory attendance to training seminars in the then upcoming contractual agreement**

*The POYC Unit may consider the incorporation of relevant clauses stipulating compulsory attendance to training seminars in the then upcoming contractual agreement. Provided that the POYC Unit caters for the exigencies of the participating pharmacies, accommodating their attendance through appropriate scheduling, NAO considered the improvement in the attendance to such seminars and training events as facilitating the overall implementation and smooth running of the Scheme.*

**Developments: Not Implemented**

The POYC Unit affirmed that compulsory attendance for such training programmes was not being considered since, in its opinion, obligatory training provided to anyone who is not receptive to such material in the first place would not be productive or cost effective. Despite this, however, the Unit asserted that since the original report extensive training on the use of the POYC software has been provided to pharmacists with refresher courses also being held on a regular and ad-hoc basis. In fact, documentation provided to the NAO shows that, in 2018, three refresher courses were provided during May with a total of 52 pharmacies being represented.

**Recommendation: NAO recommended that the POYC Unit continuously engages in efforts intended to ameliorate efficiency, effectiveness and economy matters**

*NAO acknowledged that an increase in quality of service, represented by means of the POYC Scheme, inevitably comes at a corresponding increase in terms of cost of service. Nonetheless, NAO recommends that the POYC Unit continuously engages in efforts intended to ameliorate efficiency, effectiveness and economy matters.*

### **Developments: *Partly Implemented***

In response to this recommended increase in efficiency, effectiveness and economical metrics, the POYC Unit has formally implemented a quality management system (as highlighted in the Unit's Quality Manual) which requires the adoption of SOPs for all of the Unit's activities, the use of Key Performance Indicators and the introduction of management reviews as part of a continuous improvement programme. In addition and in the same spirit of improving the quality of service, the Unit asserts that it is currently overhauling its Information Technology (IT) infrastructure to enable it to introduce new IT systems across the operational procedures of the Scheme. Furthermore, NAO was informed that monthly meetings are held by the Unit with a Standard Advisory Committee to continuously explore opportunities to improve the POYC Scheme.

**Recommendation: *NAO recommended that the POYC Unit includes relevant clauses regulating the attainment and maintenance of certain quality standards upon renewal of the said agreement.***

*In view of the lack of detail regarding the expected quality of service included in the Memorandum of Understanding, NAO highly recommended that the POYC Unit includes relevant clauses regulating the attainment and maintenance of certain quality standards upon renewal of the said agreement. NAO considered the introduction of such clauses as centrally important to the POYC Unit, effectively empowering it to take corrective action and seek redress in the eventuality of participating pharmacies engaging in practices not in accordance with the aforementioned quality standards.*

### **Developments: *Implemented***

The SLA introduced in 2015 once again refers. This agreement, the Unit asserts, addresses key issues, particularly those related to stock management, and establishes the roles and responsibilities of the pharmacies in the operation of the POYC Scheme. NAO was additionally informed that the POYC Unit is monitoring the implementation of the SLA with the aim of identifying areas where additional provisions for enforcement and corrective action may be introduced in subsequent agreements once the current one expires.

**Recommendation: *NAO recommended that the upgrade of the IT interface between the POYC Unit and the participating pharmacies is given due importance and that the necessary resources are dedicated so as to expedite its introduction***

*Noting the potential benefits which can be derived from implementing the proposed upgrade of the IT interface between the POYC Unit and the participating pharmacies, NAO recommended that this process is given due importance and that the necessary resources are dedicated so as to expedite its introduction.*

### **Developments: *Implemented***

NAO was informed by the POYC Unit that the upgrade of the IT interface was successfully undertaken in 2016. In fact, through an observation visit at the POYC offices, the audit team saw that, while the infrastructure supporting this interface is adequately robust and secure, the interface itself is comprehensive yet simple to navigate through. Furthermore, the POYC Unit asserted that one of the IT projects currently in the pipeline, will see the revision of this interface to enable it to read from different datasets thereby increasing its flexibility with an overall positive effect on the efficiency of the process.

## **Determining the Quality of Service: POYC End-Client Feedback**

### **Recommendation: POYC Unit to incorporate relevant service level requirements in the soon to be revised contractual agreement**

NAO urged the POYC Unit to incorporate relevant service level requirements in the soon to be revised contractual agreement between itself and the partaking pharmacies once it is renewed. Given that the vast majority of the participating pharmacies were already compliant with such high levels of service, the transition and eventual adherence towards a formal arrangement incorporating such pre-agreed standards, should presumably be a straightforward endeavour. In so doing, apart from achieving a uniform standard of service across all rolled out localities, the inclusion of such conditions in the Scheme, consequently followed up by due monitoring and enforcement mechanisms, would represent greater value for money among all of the participating pharmacies.

### **Developments: Partly Implemented**

In response to the above recommendation, the POYC Unit once again referred the NAO to the introduction of the SLA in 2015 which agreement, NAO notes, has introduced a number of provisions by which quality of service can be better ascertained.

### **Recommendation: POYC to collaborate with participating pharmacies and other involved stakeholders, to explore possible working arrangements that would reduce the number of visits per client per entitlement collection down to a single instance**

While NAO acknowledged the work involved in the preparation and dispensation of individual end-user entitlements, it encouraged the POYC Unit, in collaboration with participating pharmacies and other involved stakeholders, to explore possible working arrangements that would reduce the number of visits per client per entitlement collection down to a single instance. One possible means of achieving this goal could be through the utilisation of electronic prescriptions by the prescribing doctor, which would then interface with the POYC Unit's and participating pharmacy's IT systems, eventually resulting in the collection of end users' entitlement through one visit, as the process of submitting the necessary entitlement documents would have taken place electronically prior to the single visit. In addition, such a system of electronic prescription recording would enable the analysis of trends prevalent in the prescription process, possibly serving as the ideal tool in the curbing of potential misuse of allotted entitlements.

### **Developments: Partly Implemented**

The POYC Unit noted that a computer generated prescription system was deployed in health centres in 2016. Unlike the one recommended above, however, this system only produces printed prescriptions which would still need to be physically presented at the pharmacy prior to users calling again to collect their entitlement. This initiative, the Unit further asserted, was only launched as a pilot project. On the other hand, the fully implemented version would be able to communicate directly with the IT System being operated in pharmacies, thereby reducing the number of visits per entitlement. NAO was informed that this initiative is backed by changes in the current legislative framework (coming into force on the 1st October 2018) with a contract in place for its development and planned roll-out for mid-2019.

### **Recommendations: POYC Unit to sustain efforts at monitoring and maintaining the positive level of service regarding the average waiting-time involved in the collection of end-user entitlements**

Despite the excellent feedback obtained regarding the average waiting-time involved in the collection of end-user entitlements, particularly when compared to results relating to the previous system of distribution, NAO nonetheless encouraged the POYC Unit to sustain efforts at monitoring and maintaining this positive level



*of service. This recommendation can be extended to encompass all aspects of the pharmacists' approach in dealing with POYC end clients, which despite the immensely positive feedback received, would benefit from maintained regular and other ad hoc monitoring efforts.*

**Developments: Implemented**

NAO was informed that the POYC Unit is considering implementing a Customer Relationship Management (CRM) software which will enable a more detailed recording of patient queries, complaints and feedback thereby increasing the Unit's visibility over the relationship between pharmacies and end-users. NAO was further informed that the POYC Unit is actively considering the implementation of a regular patient survey to assess patient satisfaction and identify areas for improvement and/or intervention.

**Recommendation: NAO recommended the further development of the POYC Unit's customer care function so as to ensure greater visibility in terms of services rendered**

*Although NAO acknowledged the significant efforts at creating awareness and disseminating information undertaken by the POYC Unit with respect to the POYC Scheme, the Office nonetheless recommended the further development of the POYC Unit's customer care function so as to ensure greater visibility in terms of services rendered. POYC would stand to benefit from the adoption of a more active role in eliciting end-client feedback. Such a proactive approach would serve a twofold purpose, on the one hand promoting the Unit's customer care function by actively engaging a sample of its end clients, while on the other hand indirectly monitoring the general level of service rendered by participating pharmacies.*

**Developments: Implemented**

In line with NAO's recommendation and amongst others, the POYC Unit is now making use of social media for the dissemination of information. In terms of soliciting feedback from the general public, the Unit further noted that it has face to face interactions with approximately 200 patients per day through its One Stop Shop service which exposes the Unit to direct feedback from patients. In addition to the planned regular patient survey mentioned in the preceding recommendation's response, the POYC Unit stated that it is currently participating in a number of radio programmes with live interventions from the general public.

**Recommendation: POYC Unit to assign due attention to end clients' concerns related to the attainment of entitlement prescriptions**

*With regard to the concerns expressed by POYC end clients relating to the attainment of entitlement prescriptions, NAO recommended that the POYC Unit assigns due attention to this issue. It is NAO's opinion that the POYC Unit should endeavour in the further understanding and analysis of how its end clients are impacted upon by virtue of the overall system design, and adjust accordingly so as to better fulfil its intended core objectives.*

**Developments: Partly Implemented**

In an effort to facilitate the issuance of entitlements, Schedule V applications for a number of health conditions have been devolved to General Practitioners (GPs) and Specialist GPs. While the POYC Unit further asserted that the possibility of extending the same initiative to other health conditions is being explored, the changes adopted so far have the potential to simplify the renewal process for some 130,000 end clients. NAO was additionally informed that this measure is also being computerised with a view to eliminate the need for end users to visit the POYC Centre to collect the entitlement form.

## Determining the Quality of Service: Participating Pharmacy Perspectives

### **Recommendation: POYC Unit to expedite its efforts in upgrading the IT system so as to further facilitate the work undertaken at pharmacy level**

*In view of the results obtained with respect to the efficiency and user-friendliness of the IT interface in place, NAO urged the POYC Unit to expedite its efforts in upgrading the IT system (Recommendations 3.7.1 to 3.7.8), so as to further facilitate the work undertaken at pharmacy level. In so doing, the POYC Unit would be ensuring that the participating pharmacies provide a quality service when operating this Scheme.*

#### **Developments: Implemented**

While once again referring to the 2016 IT upgrade, NAO noted how the POYC Unit is currently working on the systems analysis for a complete overhaul of the existing system. This overhaul, the Unit asserted, is aimed at providing improved patient safety, increased user friendliness, improved stock management, increased compliance with pharmaceutical stock management best practices and improved reporting functionality for pharmacies and the Unit itself.

### **Recommendation: NAO recommended that systems of refreshing pharmacists' ability at operating the IT interface be introduced by means of short training programmes**

*Although the vast majority of pharmacists indicated their perceived proficiency at operating the POYC Scheme's IT interface, NAO considered those pharmacists who did not rate themselves to be of adequate proficiency as warranting the POYC Unit's attention. In this regard, NAO recommended that systems of refreshing one's ability at operating this interface be introduced by means of short training programmes.*

#### **Developments: Implemented**

As highlighted in previous recommendation the POYC Unit asserted that since the original report, extensive training on the use of POYC software has been provided to pharmacists with refresher courses also being held on a regular and ad-hoc basis. In fact, documentation provided to the NAO shows that in 2018, three refresher courses were provided during May with representatives from a total of 52 pharmacies attending.

### **Recommendation: As a main stakeholder, the POYC Unit is to actively and continually forward relevant recommendations and exert pressure to resolve issues surrounding out-of-stock items**

*Although the NAO fully acknowledged the fact that the issue of out-of-stock items is, by and large, outside of the POYC Unit's area of direct control, the Office nonetheless urged the Unit, as a main stakeholder, to actively and continually forward relevant recommendations and exert pressure, when possible, so as to address this issue in a more satisfactory manner.*

#### **Developments: Implemented**

NAO was informed that the out-of-stock issue, prevalent at the time of the original NAO report, has been resolved through the collective efforts of the Central Procurement and Supplies Unit (CPSU) and the POYC Unit. Notwithstanding this however, the POYC asserts that it still retains a high degree of vigilance on stock levels so that immediate action can be taken as soon as supply chain issues are envisaged.

### **Recommendation: POYC Unit should introduce formal and regular monitoring mechanisms that identify anomalous and irregular entitlement collection patterns by the end client**

*NAO recommended a two-pronged revision to the dispensation mechanism employed, effectively addressing pharmacy-level adjustment on one side, and end-client implications on the other. In this latter case, the POYC*

*Unit should introduce formal and regular monitoring mechanisms that identify anomalous and irregular entitlement collection patterns by the end client. Seasonal fluctuations in entitlement collection and other grossly irregular trends may be indicative of inappropriately allocated pharmaceutical stock that would certainly warrant the POYC Unit's review.*

**Developments: *Partly Implemented***

The POYC Unit notes that the current dispensation mechanism is regulated by the 2015 SLA, particularly clause 6.4, which provides safeguards against the risk of abuse. In addition, NAO was also informed that the Unit has engaged the services of a third party audit firm in order to conduct big data analysis and subsequently, put forward recommendations on possible areas for intervention in relation to dispensation, entitlement collections and stock management practices. When queried on the progress of this analysis, the POYC Unit replied that the data has been passed on to the mentioned audit firm and the resulting analysis is still forthcoming.

**Recommendation: *NAO recommended that parameters relating to dispensation timeframes be established and incorporated in the soon to be revised contractual agreement***

*The other arm of this two-pronged approach focused on pharmacy-level standardisation, an issue which had been repeatedly referred to in the preceding chapters. In this respect, NAO recommended that parameters relating to dispensation timeframes be established and incorporated in the soon to be revised contractual agreement. By means of example, the recommended service-level agreement may seek to cap the maximum waiting period between submission of documentation and collection of entitlement.*

**Developments: *Not Implemented***

NAO observed that this recommendation was still not taken on board however, the POYC Unit stated that it should be addressing the standardisation in the upcoming revision of its SLA document.

**Recommendation: *POYC Unit to endeavour in taking all the necessary measures in ensuring that the timeliness of payments to pharmacies is not compromised***

*With respect to the timeliness by which the participating pharmacies received their financial compensation for services rendered, NAO urged the POYC Unit to endeavour in taking all the necessary measures in ensuring that the timeliness of payments is not compromised.*

**Developments: *Implemented***

The POYC Unit asserted that the system which processes payments to pharmacies, has been upgraded in early 2017. In fact, when reviewing payments made to pharmacies for the year 2017, NAO observed that the overdue payment days have been reduced from 10 days (in quarter 1) to 7 days (in quarter 4).

**Recommendation: *NAO recommended that the POYC Unit re-examines the documentation process governing the preparation of customer packs with a view towards reducing the workload of participating pharmacies***

*NAO recommended that the POYC Unit re-examines the documentation process required for the preparation of customer packs with a view towards reducing the workload of participating pharmacies. Notwithstanding the above, the review and possible alteration of this task should not jeopardise the solid and reliable system of ensuring accountability throughout the distribution process.*



### **Developments: *Not Implemented***

NAO observed that the POYC Unit has not adopted this recommendation, yet the latter is planning to review the dispensing system in the future with the simplification of the process being the principal goal of this initiative.

**Recommendation: *NAO recommended that the POYC Unit adopts a two dimensional approach in ensuring adequate awareness of the proposed service levels namely through appropriate training and published material, and through the introduction of suitable monitoring and enforcement mechanisms***

*Awareness of the Memorandum of Understanding assumes central importance in the context of the proposed service-level requirements put forward by NAO in the preceding text. This would be particularly relevant should such service levels be incorporated into the soon to be revised Memorandum. NAO considers this heightened awareness as essential in the overall running of the Scheme, irrespective of whether the person effecting the dispensation is the owner of the participating pharmacy or an employee. To this end, NAO recommended that the POYC Unit adopts a two dimensional approach in ensuring adequate awareness of the proposed service levels. On one hand, the POYC Unit should instigate awareness among targeted stakeholders, through appropriate training and published material. Complementing this first course of action is the need to introduce suitable monitoring and enforcement mechanisms, which would effectively safeguard compliance to contractual obligations.*

### **Developments: *Partly Implemented***

The POYC Unit asserted that it endorses NAO's recommendation and is primarily focusing on the SLA related to stock management. This office was informed that one full round of stock takes has been carried out in 2018 with another one planned by the end of the year. In addition, the Unit intends to negotiate further service quality provisions regarding suitable monitoring and enforcement mechanisms, for the upcoming review of the SLAs.

## **Conclusions**

The findings presented in this follow-up study indicate that the POYC Unit has invested serious effort in implementing most of the recommendations put forward in the original report. In fact, out of 23 recommendations, 13 were fully implemented, seven were partly implemented with the remaining three recommendations not being implemented.

The more critical of the Unit's improvements noted by this Office revolve around the introduction of the 2015 SLA. NAO opines that this agreement has enabled the POYC Unit to step up its stock control management while further binding pharmacies to adhere to the regulations governing the POYC Scheme itself. In spite of these advances, NAO however observed that this agreement's provisions governing corrective action are somewhat vague, thereby reducing the Unit's ability to control the performance of the Scheme in the long run.

Despite the Unit's assertions that a number of vacancies are still present in certain technical positions, NAO positively notes that the staffing issues of the POYC Unit have been largely addressed, with staffing levels leaping to 91% when compared to the 62% presented in the original report. Notwithstanding this, NAO observed that its recommendations regarding training of said staff have been only partially implemented with the Unit organising a number of training courses for which the number of attendees, particularly professional staff, could have been better.

NAO also positively notes that the POYC Unit has invested significant effort in upgrading its IT systems, particularly the interface used by pharmacies. This, in line with the other ongoing IT projects, show that the Unit has taken the original report's recommendations seriously and is aiming to actively improve the experience of the end-user with the use of new technologies. In view of this, NAO however still encourages the Unit to persevere in completing these said projects at the earliest, and endeavour in the use of new technologies (such as big data analyses) to further increase the efficiency of the Scheme holistically.

Given the nature of a follow-up study, feedback from stakeholders (particularly end users and participating pharmacies) could not be gathered to compare with that gathered in the original report. Despite this however, NAO perceives the POYC Unit's efforts in improving the IT interface with pharmacies together with its use of social media to increase awareness among the public, as strong indicators of the Unit's commitment towards improving the relationship with its stakeholders.

In conclusion, NAO feels that on the whole the POYC Unit is on track in improving the overall performance of the POYC Scheme, particularly with its investment in the technological and human resources. While acknowledging this significant progress, this Office nevertheless encourages the Unit to exploit the upcoming renewal of the current SLA. This opportunity, NAO opines, presents the Unit with a possibility to strengthen its monitoring and enforcement capacity while refining its control on the dispensation mechanism. Moreover, NAO urges the Unit to maintain and reinforce this mindset by ensuring that the ongoing IT projects are completed and, once launched, deliver on their objectives.



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Follow-Up Report by the  
Information Technology Section

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# Institute of Tourism Studies

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## Background

The Institute of Tourism Studies (ITS) was established in 1987 as an institution of higher education aimed at meeting the changing needs of the Hospitality and Tourism Industry. It aims to provide educational programmes in the field of Tourism. Furthermore, it seeks to identify and monitor customer needs and is responsible for providing the Hospitality Industry with trained personnel who can guarantee an excellent standard of products and services to the Industry.

In 2013, the National Audit Office (NAO) published an Information Technology (IT) audit report on ITS. The IT audit examined whether the Institute had the necessary controls to ensure that its IT and Information Systems maintain data integrity, safeguard assets, allow organisational goals to be achieved effectively and assist in making efficient use of the Government IT related resources. The report also identified potential risks, that resulted from the risk based IT audit carried out, and made the necessary recommendations to mitigate those risks.

## Audit Scope and Methodology

The objective of this follow-up IT audit was to determine whether Management addressed the issues that had been raised and implemented the appropriate corrective measures, in line with the recommendations highlighted by the NAO in the 2013 report.

Following an introductory meeting with Senior Management and key officials, ITS compiled a report explaining the progress made since the last audit. Consequently, the NAO analysed the available supporting documentation and assessed the progress made through onsite visits and discussions. The NAO also conducted site visits at the new Luqa site and reviewed the progress being made and the plans for this new campus.

As a point of reference, the key issues and the corresponding recommendations highlighted in the previous IT audit report are depicted in grey text below. Furthermore, the developments pertaining to every issue are assessed against a scale, which determines the different stages that may exist along the process leading to the resolution of an issue.

## Key Issues

### *Information Technology Unit*

*In NAO's view the functions of the IT unit should not be dependent solely on two IT Facilitators. NAO recommends that such a unit should be headed by a qualified Head of IT who would be made responsible for all the IT projects and IT administration. NAO observed that currently the IT unit is only handling hardware support ...*

*Although the Institute's IT requirements are sometimes discussed in ad-hoc meetings, NAO suggests that regular meetings are scheduled and held between the IT unit and management ...*

### **Developments: *Partly implemented***

The IT unit currently comprises of an IT Manager and two IT Administration and Support Officers and works in direct collaboration with ITS Senior Management, under the supervision of the Director of Corporate Services. The NAO noted that this Department participates in regular management team meetings and in the Institute's ICT Committee.

Moreover, the Department has built a strong relationship with the Ministry's Chief Information Officer (CIO) with whom it is now collaborating also on projects such as the ITS 'Now App' and ITS 'Web Forms'. The Ministry CIO is also helping the ITS with policy and project management including the migration of the e-mail services to the Government mail that is provided and serviced by MITA. Furthermore, a number of servers were migrated to MITA, who will be providing back-up services and data restoration services etc.

The NAO however noted that as yet, there is no call logging mechanism and suggests that all calls forwarded to external suppliers are logged.

### ***ICT Strategy***

*The ITS does not have a formally documented IT strategy and therefore NAO suggests that the ITS formulates a strategy ...*

### **Developments: *Partly Implemented***

The NAO was given documented evidence detailing a high-level strategy in draft stage. This document included points reflecting the Institute's move to Luqa and Smart City and the planned increase in the campus' footprint, the number of students, and the number of courses offered. The NAO noted that this high-level strategy included a plan to replace old workstations, consolidate the software packages used, training of staff, and the implementation of key performance indicators (KPI's).

### ***ICT Budget***

*...NAO recommends that as a best practice, the ITS carries out an exercise to analyse the cost/benefit of its IT and Information Systems. ...*

### **Developments: *Partly Implemented***

The ITS have decided to conduct internal audits so as to evaluate the cost and effectiveness of their IT systems. Such audits are in their initial phase and the NAO saw no concluded documented evidence of such audits. The NAO has however noted that a number of discussions were held with the Office of the CIO, to analyse which IT services should be migrated to MITA.

### ***Hardware Project Life Cycle***

*The ITS opted not to join the Government's PC leasing scheme and thus procures all its IT hardware ... NAO recommends that as a best practice, the ITS should formalise its procurement process and implement a system whereby a requisition form is filled in, for the IT hardware required.*

*Maintenance ... NAO suggests that a log of all calls for maintenance is kept so as to be able to detect any defective equipment, problematic suppliers or calls of a particular nature, which collectively may indicate a common source. Such information can also help in decision making.*

*Disposal ... NAO recommends that the ITS ensures that all boards formed, to survey the disposal of hardware, submit a list of all equipment being disposed off to senior management and all lists are kept in one central place. ...*

*... NAO was informed that the IT facilitator formats such hardware prior to putting it aside for disposal. ... NAO recommends that the Institute adopts the Desktop Services Procedure (GMICT R 0084:2009)<sup>1</sup> in terms of PC Disposal and Data Wiping, so as to ensure that data may not be retrieved by any third party.*

*NAO suggests that the IT facilitator ... inserts a note documenting the date when the data was wiped and by whom.*

### **Developments: *Partly Implemented***

The NAO noted that since its previous audit, the ITS:

- has changed its procurement policy and is now procuring its PCs through MITA;
- is following the Government Procurement Guidelines in terms of other IT procurement;
- is using MITA's call logging system;
- has not disposed of any computer equipment and redundant equipment is currently being stored in a garage. Furthermore, NAO notes that ITS has no disposal procedure in place;
- has wiped all the data on redundant hard-disks; and
- is planning to implement a call logging system to keep a log of all internal support calls.

### **Software Project Life Cycle**

*... NAO observed that the procurement and development of software, is not being managed by the IT unit but only by the end user and senior management. ... NAO thus recommends that the Institute follows a formally structured and documented software project life cycle when building or procuring new software and when enhancements to software are made. ...*

### **Developments: *Not Implemented***

The NAO noted that the ITS has not adopted a sound software project life cycle, although there are constant discussions between the ITS' IT unit and the Ministry's CIO office who are helping the ITS in this regard.

### **Third Party Suppliers**

*... NAO observed that MITA related services are covered by a Ministry contract. NAO recommends that the services are covered by a specific contract between MITA and ITS ...*

*The ITS however has various service and maintenance contracts with other suppliers. NAO reviewed these contracts and agreements and recommends that the ITS ensures that these contain suitable Data Protection Clauses.*

*Moreover, NAO was not provided with copies of contracts or agreements covering website hosting and maintenance.*

### **Developments: *Partly Implemented***

The NAO noted that since its last IT audit, the ITS has signed a specific contract with MITA, but has not reviewed its other contracts to ensure that these contain suitable Data Protection Clauses.

The NAO also noted that the ITS has changed its website hosting supplier and has a service contract with this new supplier.

### **Network Infrastructure – Local Area Network and Wide Area Network**

*... NAO requested a network topology diagram of both the ITS LAN and Wide Area Network (WAN) however these were not available.*

*NAO also recommends that the ITS should segregate the administration and the academia by connecting them on separate VLANs ...*

*NAO observed that not all networking equipment is connected to an Uninterrupted Power Supply (UPS). NAO suggests that each device is connected to a UPS that incorporates a network management card ... configured to send an e-mail notification to the server administrator in the event of a power disruption. UPS' should also be regularly tested by the IT unit.*

*NAO recommends that the ITS invests in an availability and monitoring solution, that apart from checking whether a device is online or not, it will also monitor performance ... on all servers. ...*

*... NAO recommends that the ITS or its suppliers configure every device ... to send an e-mail to a specific mailbox ... or through Short Message Service (SMS), for every critical alert, ...*

*... NAO noted that all workstations at the ITS are set up using a workgroup model which is generally used for home and small business environments and through which security policies can only be assigned and enforced locally by configuring them on each and every workstation ... NAO observed that the ITS however has all the infrastructure in place to migrate to an Active Directory domain model. Consequently, NAO suggests that the IT unit configures all the workstations so that these would log on the existing ITS domain and have a common set of relational security policies in place ...*

*Furthermore, NAO suggests that all ITS staff are made aware of the assigned network drives and the importance of using such drives when saving their data....*

### **Developments: *Partly implemented***

Since the publication of the 2013 IT audit report, the ITS had connected the Martin Luther King (MLK) building to the MITA network with a 10Mbit/s connection and set-up a separate Wi-Fi connection. Separate VLANs to segregate the administration and the academia were however not implemented.

The ITS has since moved to its new campus in Luqa. At the Luqa Campus, the ITS has installed a new network infrastructure featuring both wireless and wired connectivity, with segregated VLANs for students, administration staff, academic staff, administration guests and general guests.

The NAO is informed that the ITS will be investing in 500Mbps GÉANT<sup>1</sup> connectivity with 250Mbps backup connectivity. This would entail two diverse international fibre routes and a protected fibre connection between the University of Malta and the ITS campus.

The NAO noted that at the new Luqa ITS campus, the IT unit has registered all corporate machines on the ITS Domain through Microsoft Windows Active Directory. The Domain controller server will enable the system to have a unified system of credentials, users, groups and permissions in addition to the machine and user policies of the Group policy.

The NAO was also informed that:

- the IT unit is monitoring the LAN, however, this is not done on a routine basis;
- the ITS is awaiting complete network topology diagrams from the supplier who set up the new network at its Luqa premises; and
- this Office's recommendations regarding the use of UPS' and the implementation and configuration of the server monitoring tool to automatically send critical alerts to the person/s in charge, have not been implemented yet.

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<sup>1</sup> GÉANT, the Gigabit European Academic Network, is a pan-European data and communication network for Europe's education and research community. It is co-funded by education networks, European national research and European commission, and coordinated by the limited liability company DANTE.



### **Wi-Fi Infrastructure**

*... the Wi-Fi system at the ITS was implemented by connecting all routers in series (daisy chaining). .... the network is slow and users are facing performance issues. ... the IT unit installed a timer with each router to automatically switch it off and back on again ... so as to avoid having to reset routers.*

*NAO suggests that this setup is totally revised with the aim of implementing a more efficient set up that would require less maintenance and provides all users with a better connection.*

#### **Developments: Fully Implemented**

The NAO noted that the ITS had totally replaced their Wi-Fi system and connectivity was no longer an issue.

### **ITS Server Room**

*... During these site inspections NAO also noted that the network cabinets were open, the air-conditioning unit was switched off awaiting repair and there was a fitted carpet. ... the room was equipped with curtains however these were removed as the air-conditioning unit was leaking.*

*NAO also noted that the e-learning server and the server being used for the Wi-Fi systems were not in the server room but were placed in an annex to the classroom of the IT lecturer. ...*

*NAO recommends that the ITS re-locates all the servers into one room. NAO made several best practice related recommendations on the set up of a server room.*

#### **Developments: Partly Implemented**

The NAO noted that the ITS has embarked on a strategy of remote hosting whereby servers are being migrated to MITA Data Hosting. The servers that were migrated include four SITS Servers and two Dakar Servers.

However, the ITS still hosts two servers, namely:

- Oracle server (Opera/Materials Control): The Opera software is used for teaching purposes at ITS Opera Lab. The Materials Control software currently being rolled out will replace the Technosoft software.
- Technosoft/Library Server: This server will be switched off by the end of 2018, upon full implementation of the Materials Control System.

The NAO noted that the new Luqa campus has a data and server room, service rooms on each floor and a centralised UPS room. The server room has raised flooring, two air conditioning units and secured entrances, however, it has no temperature/humidity monitor.

### **IT Inventories**

*... the IT unit at the ITS does not keep an IT inventory but the ITS has an inventory officer who keeps an inventory of all physical items on a spreadsheet. NAO observed that this inventory was very comprehensive ...*

*NAO recommends that as a best practice, this list should be stored on the server and be accessible to the IT unit.*

*... NAO suggests that the IT unit carries out an internal audit to verify all PC's in terms of authenticity of software applications and software licences. As a result of this audit the IT unit should compile an inventory of software applications and licences ...*

### **Developments: Fully Implemented**

The NAO was informed that the ITS has catalogued all its IT hardware and has registered all its PCs with MITA. A copy of this was given to the NAO.

Furthermore, since the last audit, the ITS has replaced all its' PCs and has prohibited users from installing any applications on these PCs, thus ensuring that all the software installed is authentic and licensed.

### **SITS: Vision**

*... the version of SITS: Vision used by the ITS is an old 2001 version which is no longer supported by the supplier. ... Various shortcomings were identified by the NAO.*

### **Developments: Partly Implemented**

The NAO was informed that since its previous audit, the ITS has upgraded SITS to the latest version. In-line with this update, the ITS also purchased the online version of the eVision module, which allows data to be accessed online (upon programming). The NAO was informed that with this software upgrade, the "System move aborted" error was solved, notifications are now being sent through e-mail, absentee recording is done online, and the system is now being used by lecturers. Furthermore the SITS server is now housed at MITA and off-site storage of backups is being carried out ... whilst, backups are being tested regularly. A full restore of the system's data was done in Oct/Nov 2017.

However, the NAO observed that the SITS security functions relating to audit trails, password complexity and password expiry have not been implemented and login profiles of some past employees are still showing.

### **HQ Horizon Food and Drink Edition**

*The ITS has three catering ... equipped with a touch-screen Point of Sale (POS) terminal and use the HQ Horizon Food and Drink for billing purposes. ... The HQ Horizon is an Electronic Point of Sale (E-POS) software application ... integrated with a backend system that is accessed by the accounts department to oversee the collection of revenue and generate monthly management and tax reports...*

*... NAO noted that the management of user accounts, maintenance and enhancements are carried out by the third-party supplier. NAO observed that E-POS terminals are still displaying login accounts of ex-lecturers. NAO recommends that the supplier is instructed to terminate this access.*

*... NAO noted that when a lecturer is supervising a lunch and a dinner practice session at the same restaurant, he/she is unable to issue an end-of-day report listing the lunch transactions and the dinner transactions separately. In this regard, the lecturer is not in a position to distinguish between the total cash in hand with the sum of all the transactions listed in the end of day report. ...*

*NAO observed that lecturers are currently compiling some reports manually and would thus recommend that management considers enhancing the system to include the following reports:*

- *the items sold...*
- *the total number of starters, main courses and desserts sold during a particular session.*

*As part of the audit, NAO also enquired on the back-ups/restore procedure in connection with this software application. NAO noted that although this software application is hosted and backed up daily on the main server the ITS has never tested these back-ups and does not even have an off-site storage of back-ups...*

### **Developments: *Partly Implemented***

The NAO noted that although this system is still in use, the ITS intends to have it replaced before the commencement of this scholastic year, with the new Materials Control E-POS module, that links directly into the new Materials Control procurement and inventory software. This new system would have one integrated database that includes the procurement management, displacing any issues related to having to compile reports manually.

The NAO also noted that the IT unit is compiling user manuals to help new users accordingly.

However, the NAO noted that the backup of the Materials Control system is being done to disk. The NAO recommends that ITS start taking secure, regular backups which are preferably stored off-site and which are restored periodically.

Furthermore, the new Materials Controls system does not have a sound password control mechanism to ensure the use of complex passwords which expire. The NAO recommends that ITS enquires whether this functionality can be added to the above mentioned system and if not encourages users to use strong passwords and change such passwords periodically.

### ***Intact Business Management System***

*NAO noted that ITS paid a yearly license fee to use the Intact Business Management System. ... this package was procured in order to maintain an electronic version of the inventories.*

*... NAO suggests that ITS management reviews whether this software application is needed and cease to pay its license fees if it will not be used.*

### **Developments: *Partly Implemented***

The NAO noted that the ITS decided to phase out the use of this system and replace it with the Materials Control system.

During the course of this follow-up audit, the NAO asked whether the ITS has stopped paying the licence fee related to the Intact Business Management System. However, the NAO was not given a definite reply and any evidence to this effect.

### ***Library - WiSDoM 4***

*The library system is a tailor made solution built by a local third-party IT company, upon the WiSDoM 4 Enterprise Resource Planning solution.*

*... NAO noted that this system is used by two officers who however share the same password which is hard coded in the system and cannot be changed without the supplier's intervention...*

*... NAO also noted that this application is installed on one particular PC, which is only used for this system and the two users are unable to use this system concurrently. NAO was informed that this application only works with Microsoft Office 2003 and is incompatible with Office 2007 and therefore was only installed on one particular PC which was running Office 2003. NAO suggests that, ITS holds a meeting with the supplier to discuss any incompatibility issues and find a way how this application can be installed on two PC's.*

NAO identified various other functionality limitations regarding this software. ... NAO recommends that the ITS performs a periodic test restore of back-ups to ensure that should an incident occur, the data in this

*application could be restored from back-ups. NAO also recommends that an off-site storage of back-ups is available ...*

#### **Developments: Not Implemented**

The NAO was informed that the ITS intends to replace this software, which is no longer supported by the supplier, but noted that there was no concrete plan to do so in the immediate future. The NAO suggests that a software project life cycle is followed when replacing this system, so as to ensure that the new system meets the end users' needs.

The NAO understands that since this system is no longer supported, the limitations reported in the last audit report cannot be addressed, as the supplier will not upgrade the system to ITS' requirements.

The NAO was informed that the system is currently used by one person, however, there is a vacant position which when filled would result in two users using this same system and sharing the same hard coded password. Furthermore, this system is not compatible with Microsoft Office 2016 and thus the ITS is using the Microsoft Office 2013 version on the two PC's that this system is installed on. Finally, whilst the system is backed up daily, the IT unit have never restored and tested these backups.

#### **Hardware Stores - WiSDoM 4**

*... in 2009 ITS implemented a Microsoft Access tailor-made stock control system that was built upon the WiSDoM 4 Enterprise Resource Planning solution by a local third party supplier. ...*

*NAO recommends that since the stock control system has proved to be working as desired, the hardware stores should re-engineer their current business process in such a way as to avoid the duplication of work involved in maintaining an electronic and a manual system. ...*

*During the course of this audit, NAO observed that the hardware store is manned by three officers who have very distinct roles. Although the stock control system can be accessed by two of these officers, it is actually only used by one particular officer.*

*NAO also noted that ITS were not given any user manuals for this system ... NAO suggests that since this system is only used by one person, the Head of Section should ensure that a document is compiled detailing how the application is used so as to ensure continuity.*

*Furthermore, NAO noted that although this application is accessible through a login and password, these are not set to expire, passwords are not complex (i.e. can be made up of any amount of characters) and can be re-used. ...*

*NAO noted that the system is generally backed up daily on to an external hard drive by the officer using this system. NAO recommends that the ITS liaises with the supplier and transfer the application on to the ITS' main server, which is automatically backed up daily. Furthermore, NAO noted that the back-ups stored on the external hard-drive were never tested...*

#### **Developments: Partly Implemented**

The NAO was informed that the ITS has replaced this system with the new Materials Control system and stopped updating the manual stock cards. Furthermore, the system is no longer being used by one officer.

As noted above, the NAO:

- commends the IT unit for taking the task of compiling user manuals to help new users accordingly;
- recommends that password control on the Material Control system is enhanced and should this

- functionality not be possible, users are encouraged to use strong passwords and change such passwords periodically; and
- recommends that immediate action is taken to have a sound backup mechanism for this system.

### **Food and Beverage Manager System**

*The Food and Beverage Manager is a stock control system used by ITS at the food stores.*

*NAO noted that ... supplier details and invoice details are currently being inputted twice namely by the stores and the accounts department. Furthermore, NAO observed that requisition notes are currently being done manually. NAO suggests that a business process re-engineering exercise is carried out with the aim of lessening the duplication of work between the departments and enhance the control on issuing of food stocks and re-order levels. ...*

*During the course of this audit, NAO observed that this stock control is only used by one particular officer. NAO suggests that management should lessen the dependency on this one particular officer and train other users in using this software application.*

*... NAO recommends that since this system is currently being used by just one person, a document is compiled detailing how the application works so as to ensure continuity by other officers.*

*... NAO suggests that this application's security is enhanced by implementing a password policy that would forbid the use of weak or short passwords, implement password expiry and prohibit the re-use of passwords.*

*NAO enquired about the back-ups/restore procedure in connection with this application and noted that... ITS has never tested these back-ups and does not have an off-site storage of back-ups...*

### **Developments: Partly Implemented**

The NAO was informed that the ITS has replaced this system with the new Materials Control system. Furthermore, the NAO noted that this module is now being used by four officers and requisition notes are no longer done manually but inputted directly in the system by the lecturers.

As noted above, the NAO:

- commends the IT unit for taking the task of compiling user manuals to help new users accordingly;
- recommends that password control on the Material Control System is enhanced and should this functionality not be possible, users are encouraged to use strong passwords and change such passwords periodically; and
- recommends that immediate action is taken to have a sound backup mechanism for this system.

### **E-learning**

*The ITS e-learning platform presently offers 60 on-line courses, most of which are using a blended learning approach but only one course, namely the part-time tourist guide course can be considered as an actual distance learning course. ...*

*NAO ... suggests that senior management develops an e-learning strategy aimed at realising the full potential of this e-learning platform... Furthermore, NAO recommends that senior management engages in discussion with its CELT and its academic staff, so as to devise ways through which the students would also be enticed to use this platform. ...*

*NAO noted that the e-learning was currently being maintained by the IT lecturer who created it and there was no one who could maintain the system in his absence...*

... NAO observed that the e-learning system is hosted on a Linux Server, which is located in an annex to the classroom of the IT lecturer. ... NAO noted that the hosting server is currently being administered by the IT lecturer. NAO recommends that the hosting server is administered by an IT administrator knowledgeable both on Linux and Windows platforms. The server administrator should be responsible for the overall management of both the above ...

NAO also reviewed the account management of this system and noted that this system is accessible through a login and password. ... NAO recommends that the e-learning system would offer the facility through which users can change or renew their passwords online before these expire.

NAO observed that the officer maintaining this system, periodically contacts the ITS registry to obtain a list of students who have finished their studies at ITS and terminate their access manually. NAO suggests that the e-learning system would be upgraded in such a way that students are granted access for the duration of the course and their user account is automatically terminated when the course is over.

During the course of this audit NAO noted that ... back-ups were not scheduled automatically. Furthermore, no back-up logs are being kept to record whether a back-up has failed or completed successfully. NAO suggests that back-ups are done with a daily/weekly/monthly schedule ...

... NAO ... recommends that the ITS periodically performs a test restore of the application data from back-up so as to ensure that this can be done successfully should a disaster occur. NAO also recommends that an off-site facility for back-ups is available ...

#### **Developments: Partly Implemented**

The NAO noted that:

- this system is now being used by all students and lecturers;
- this system is no longer hosted at ITS but is hosted on third-party off-site servers;
- the Wi-Fi connection is no longer an issue; and
- backups are being taken by the third party supplier who has an off-site storage facility.

However, the system does not have any password complexity/expiry mechanisms.

#### **OPERA Property Management System**

... NAO noted that this software application is installed in a particular lab (Room 101). ... the PC's in this lab need to be replaced or upgraded as lately these were giving a lot of problems. NAO also noted that currently the system is being administered and maintained by the lecturer. Given that the lecturer is not a trained system administrator, the local supplier is being requested to provide the additional support required as a result of the above situation. NAO recommends that the IT unit takes over the administration of this system and at least carries out everyday tasks like setting up printing rights or installing and setting up the system after PC formatting.

#### **Developments: Fully Implemented**

The NAO noted that since its last audit, the ITS has upgraded this system to Version 6 and has replaced the PC's in its labs. Furthermore, this system is now being administered by the IT unit in terms of printing rights, installation etc., but the daily management of user accounts is taken care of by a lecturer.

#### **Website**

Whilst reviewing this website NAO noted that:

- That the website is not compliant with the Government's "Website Content and Presentation Standard" GMICT S 0051-1:2011 ...



### **Developments: *Partly Implemented***

The NAO noted that the ITS have revamped its website but this new website is still not compliant with the Government's "Website Content and Presentation Standard" GMICT S 0051-1:2011.

#### ***Anti-Virus Software***

*NAO recommends that the ITS considers purchasing an anti-virus solution, that can be centrally managed from one administrator. ...*

*... NAO ... suggests that the ITS, informs its users on the dangers of e-mail attachments and viruses.*

### **Developments: *Not Implemented***

The ITS has installed an anti-virus solution on all its workstations, however, it does not yet have a centrally managed solution. The NAO also noted that the IT unit intends to organise basic IT security training for all users.

#### ***Patch Management***

*... the IT unit deploys product updates manually on the servers maintained by them and depends on the supplier and the IT lecturer to deploy product updates on the other servers. ... NAO recommends that as best practice, a hotfix or a service pack is initially deployed on a testing server and then deployed on the other servers if no abnormal behaviour was observed. ...*

### **Developments: *Not Implemented***

Most of the ITS' servers have been migrated to MITA and thus patch management is dealt with by MITA. However, the ITS is still not following best practices of deploying patches on a test server prior to installing these on its in-house servers.

Furthermore, the NAO noted that one of the backups is being done to disk and therefore installing untested patches on this server carries a much higher risk.

#### ***Backups and Off-site Storage***

*NAO observed that ITS has a NAS (Networked Attached Storage) device installed in the main server room. NAO noted that one of the servers is being mirrored onto this NAS device whilst another two servers are being backed up onto a cloud managed by third-party suppliers. NAO recommends that all servers are backed up onto the NAS system and that a tape drive is used to back-up the NAS device in a reliable and secure back-up method such as the Grandfather-father-son back-up methodology...*

*Furthermore, ... the ITS should consider investing in a back-up solution that is also capable to back-up the virtual server environments.*

*The ITS should also set-up an off-site storage facility where the weekly and monthly tapes can be stored. ...*

### **Developments: *Not implemented***

The NAO noted that:

- the SITS software application is hosted on a remote server and backed up onto the local NAS device;
- the DAKAR software application is hosted on a remote server;
- the OPERA software application is hosted on a local server and is backed up locally. The system only

- contains 'dummy' data used for training;
- the Materials Control software application is hosted on a local server and backed up to disk. This is bad practice and the NAO recommends that this issue is seen to as soon as possible; and
- the WISDOM software application is backed up on the local NAS.

Although backups for the off-site servers are being stored off-site, the NAO noted that the ITS has no off-site storage for the backups being taken on-site and the NAS system is not being mirrored onto a replica NAS system or backed up on tape.

### **Wi-Fi Facilities**

*NAO observed that at the initial stages of this IT audit, the wireless network was an unsecured network ... Based upon NAO's recommendation, the ITS' management instructed the supplier to implement an authentication system ...*

#### **Developments: Partly Implemented**

The NAO noted that the IT Unit will now be managing and monitoring the Wi-Fi connection. The new Wi-Fi infrastructure at the Luqa campus will be login-based and will comprise of segregated/dedicated connections for students, administration, academics and guests. An appropriate firewall is to be installed and maintained by the IT Unit. However, up until the last site visit carried out by the NAO, the Wi-Fi for staff and the Wi-Fi for students were both unsecure and had no white/black listing filters. The NAO was informed that this will be implemented before the coming school term.

The ITS have also held a number of discussions with the Ministry's CIO office and MITA, and are working on a system which will allow users to connect to their profiles across campus and across machines.

### **Web Filtering**

*During the course of this audit, NAO found indicative evidence suggesting that the Wi-Fi connection could have been used to play online games, to download films, music etc. NAO recommends that ITS explores solutions whereby websites are filtered by category. ... The filtering software would possibly have the option to set custom filters to white list and black list specific sites. ... This filter should also prevent P2P software, therefore preventing a substantial increase in bandwidth consumption. Reporting must also be available in the solution used, in order for ITS IT unit to clearly understand internet usage in the entity.*

#### **Developments: Not Implemented**

The NAO noted that up until its last site visit, there was no web filtering implemented both for students and staff. Furthermore, no monitoring listing heavy bandwidth users was being carried out. The ITS stated that web filtering will be implemented before the commencement of this scholastic year, and monitoring will be done routinely.

### **Multi-Function Printers**

*NAO observed that these multi-function printers are mainly being used as photocopiers and some of which, like the one at MLK, are not even connected to the internal network. ... NAO also observed that most of the printing is done using stand-alone printers which are installed in all the offices. NAO recommends that ITS phases out stand-alone printers and consolidates the printing to these multi-function printers. ...*

*NAO recommends that ITS configures these multi-function printers in order to have features such as scan to e-mail and secure printing, where applicable, in order to fully utilise this equipment. NAO also recommends that ITS configures these machines as network printers ...*



### **Developments: *Partly Implemented***

The NAO noted that the only stand-alone printers currently in use at ITS are:

- the dot matrix printers, which are mainly used for the Government's DAS application, is used by the Accounts and Procurement Departments; and
- a few printers which are still in the process of being phased out.

The NAO was informed that following the expiry of the current contractual obligations related to the above mentioned printers, the IT unit will be implementing a centralised printing network at its Luqa Campus, with printers linked to a central server for spooling. The IT unit will also be implementing secure printing and enable users to print on any printer on the network through Wi-Fi.

### **Physical Security – Server Room**

*... The ITS has two server rooms, one of which is an annex to a classroom and the other one is a server room equipped with a fire sensor, NAO recommends that all servers are migrated to the original server room. ...*

*NAO recommends that until migration of servers from the classroom's annex room to the server room is done, the ITS should clean the annex room and free it from all clutter.*

### **Developments: *Partly Implemented***

The NAO noted that since the migration to Luqa, the ITS has no servers in its offices/classrooms and all servers are in the server room which is free from clutter and equipped as needed. However, the NAO observed that the server room at the Luqa ITS campus, does not have a humidity/temperature monitoring device and recommends that this be installed.

### **Physical Security – Buildings**

*... NAO noted that the visitor's policy is not applied at all times and visitors are sometimes allowed access to the building without registering. NAO therefore suggests that the security personnel ... ensure that all visitor entries are logged.*

*Furthermore, NAO recommends that:*

- *A visitor's policy ... is applied at the MLK building whereby the particulars of all visitors are noted on a register and visitors are given a tag....*
- *The ITS considers installing metal bars in the windows of Room 103 at the Main building ...*
- *... ITS ensures that power sockets including the ones in the labs are not overloaded with extensions.*

### **Developments: *Partially Implemented***

The NAO noted that the ITS has:

- completed detailed plans of the CCTV system needed for the new Luqa campus;
- set up a security department with security personnel present on campus and in all its blocks 24/7;
- a visitor's policy in place and access cards are handed out to all staff and visitors accordingly;
- installed a new fire detection system;
- a backup generator which was being serviced;
- controlled access to its server room; and
- installed metal bars in the IT building and in its computer labs.

### **Information Security (Business Continuity and Disaster Recovery)**

*... NAO ... suggests that a business impact analysis and a risk assessment exercise are carried out from which a business continuity plan that includes a disaster recovery plan is drafted.*

#### **Developments: Not Implemented**

The ITS are awaiting the conclusion of a number of internal IT audits prior to embarking upon drafting Business Continuity and Disaster Recovery plans.

The NAO noted that the ITS discussed both these issues with the Ministry's CIO office who are helping the ITS to implement the necessary Business Continuity measures.

### **Security Awareness Training**

*... NAO recommends that security awareness should be part of an ongoing process that seeks to ensure that all users are familiar with the information security policies and best practices that govern the use of IT assets.  
... NAO recommends that the ITS issues a set of computer security awareness guidelines both for staff and students.*

#### **Developments: Not Implemented**

The NAO was informed that the ITS have not organised any formal security awareness training, however, this forms part of the IT unit's future planned tasks.

### **Conclusion**

The NAO appreciates the efforts made by the ITS to address, as far as possible, the shortcomings highlighted in the 2013 IT audit report, particularly the appointment of an IT Manager which is considered as a big step in the right direction. Furthermore, the NAO acknowledges that the ITS has just changed its premises and the IT unit had to oversee the implementation of a new network infrastructure, the installation of software and the transfer of all the IT equipment from the St. Julian's premises to the new set-up in Luqa.

At the same time, the NAO observed that some recommendations have not yet been fully implemented. In this context, the NAO reiterates that the recommendations previously made are to be taken on board by the Institute without further delay, and evidence of any action taken in this regard is to be documented and filed for future reference.

In conclusion, the NAO is of the opinion that the ITS should take immediate action to sort out the issues of inadequate backups, the lack of hardware disposal procedures, the implementation of a sound web-filtering policy, user training on security awareness and the lack of Business Continuity and Disaster Recovery plans.

# Housing Authority

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## Background

The Housing Authority promotes and encourages home ownership amongst people with low to middle income. It also takes a holistic approach to the housing needs of the Maltese society through the provision of various schemes and initiatives targeting those who are most in need of its assistance, and is committed towards improving their quality of life.

The Housing Authority also provides those lacking suitable housing with accommodation and improves accessibility for disabled people. It is also responsible for the upkeep and maintenance of all the properties under its responsibility and of repairs needed in private properties, especially when the owners cannot carry them out themselves and the repairs are of a dangerous or life threatening nature.

In 2015, the National Audit Office (NAO) published an Information Technology (IT) audit report on the Housing Authority. The IT audit examined whether the Authority had the necessary controls to ensure that their IT and Information Systems maintain data integrity, safeguard assets, allow organisational goals to be achieved effectively and assist in making efficient use of the Government IT related resources. The report also identified potential risks and made the necessary recommendations to mitigate those risks.

## Audit Scope and Methodology

The objective of this follow-up IT audit was to determine whether Management addressed the issues that had been raised and implemented the appropriate corrective measures, in line with the recommendations highlighted by the NAO in the previous IT audit report.

Initially, an introductory meeting with Senior Management and key officials was held, whereby the NAO explained the scope of this follow-up IT audit and highlighted the key issues that were raised in the previous IT audit report. These issues were presented to Management as a checklist, which had to be filled in and returned to the NAO, so as to obtain an update of the actions taken and verify whether the Housing Authority had addressed the highlighted issues. In turn, the Authority compiled and submitted a detailed feedback report and updated the relevant checklist. Consequently, the NAO analysed all the available supporting documentation and eventually assessed the progress made through onsite audit visits and discussions held with key officials. As a point of reference, the key issues and the corresponding recommendations highlighted in the previous IT audit report are depicted in grey text below.

Furthermore, the developments pertaining to every issue are assessed against a scale, which determines the different stages that may exist along the process leading to the resolution of an issue.

## Key Issues

### ICT Strategy

*The Housing Authority does not have a formally documented ICT strategy, however, the NAO was informed that in July 2014, the Housing Authority set up an IT Steering Group composed of the Authority's ICT Co-ordinator, the Chief Executive Officer (CEO), the Ministry's Chief Information Officer (CIO) and a Malta Information Technology Agency (MITA) consultant, to draft an ICT consolidation strategy plan, which they now intend to incorporate in a formalised and documented ICT Strategy.*

*Through this ICT Strategy, management can gauge whether IT is delivering strategically and can ensure that the IT investment is not misdirected and draining resources, which could otherwise be deployed differently, to the benefit of the organisation.*

#### **Developments: Fully implemented**

The Housing Authority appointed an IT steering group to draft an ICT consolidation strategy that incorporates a formalised and documented ICT strategy. In this context, the Housing Authority provided the NAO with a copy of the ICT strategy plan, which states that the plan will be executed on a yearly basis in line with the Authority's budgets and business plans, to ensure a gradual but constant transition to a higher level of ICT.

### ICT Budget

*The NAO noted that since the Authority's IT Unit was set-up in 2014, there was no specific budget for IT for 2012 and 2013, and no significant IT investments other than minor miscellaneous expenses of an operating nature.*

*The NAO also noted that the Housing Authority in 2014 started to invest in a new IT infrastructure, and embarked on a two-year project to replace computer hardware and upgrade network infrastructure in line with the Authority's current needs. Furthermore, the NAO observed an increase in planned funds for IT support services in 2015. The NAO was informed that this considerable increase was attributed to the consultancy services that the Authority procured so as to assist in the drafting of a tender for a new Estate Management System, and the support services given by MITA, in terms of the ICT consolidation project.*

*During the course of this IT audit, the NAO was also made aware of the Authority's plans to continue investing in IT by planning for a heavy investment in a new Estate Management System, to be procured and implemented during 2016.*

*The NAO recommends that as a best practice, the Housing Authority performs a cost/benefit analysis of its IT and Information Systems related expenditure and investments. This exercise can be carried out by the IT Unit together with the Accounts Section, and the results should then be passed on to Senior Management of the Housing Authority.*

#### **Developments: Fully implemented**

Following the publication of the NAO's IT audit report in 2015, the Ministry's Information Management Unit (IMU) drafted an ICT Consolidation Benefit Analysis report with the intent of helping the Housing Authority improve its confidence in its ICT assets. In this context, and to be fully in line with Government's ICT policies, the Ministry's IMU then commissioned MITA to rectify the major weaknesses that were identified in the report, which included amongst others:

- To inspect and document the Housing Authority's passive network equipment and assume control of the active network equipment within the Authority.
- To decommission the Housing Authority's Windows domain and connect all the Authority's end-users on to Government's CORP domain.
- To centralise all the Authority's mailboxes on to MITA's mail servers.
- To replace all the existing workstations and centrally procure new workstations through MITA. Amongst other benefits, this would ensure that the workstations are installed with the latest Operating System and Office Suite.
- To replicate the files and folder structure, together with a number of legacy systems stored on the Housing Authority's internal servers, on to MITA's segregated consolidated environment.

### **Disposal of IT equipment**

*During the course of this IT audit, the NAO enquired about the disposal procedure adopted by the Housing Authority and noted that all the obsolete hardware was being kept in the server room. The NAO thus suggests that a board is formed to decide which hardware is to be disposed of and ensures that this is done accordingly, whilst keeping a record of all hardware that is being disposed of.*

*It is also recommended, that the Authority ensures that all the boards formed to survey the disposal of hardware, submit a list of all IT equipment being disposed of, to Senior Management and that all lists are kept in one central place. The boards should also be responsible to submit a copy of such lists to the Accounts Section and to the person in charge of the hardware inventory.*

### **Developments: Fully implemented**

The NAO was informed that whenever equipment needs to be disposed of, a board is formed (appointed by the CEO, with representatives from the Housing Authority's Accounts section and IT unit) to decide which hardware is to be disposed of. The NAO was further informed that the IT unit provides the board with the inventory sheet of the equipment listed for disposal, which would include the item inventory number, serial number, description (e.g. model name and item type) and reason for disposal. The chairperson will then assemble the board and the latter decides whether to approve or reject the disposal of the listed items, before a signed board of survey report, indicating their findings, is issued. Furthermore, prior to the actual disposal, a request for approval to dispose the items is sent to the Environment and Resources Authority (ERA).

The NAO observed that to date, three inventory disposals were proposed, approved for disposal and processed. A physical file (Ref: HAA116/2016), with a detailed inventory sheet of disposed equipment, is properly kept. Additionally, for every inventory disposal process, a receipt from ERA was included in the physical file.

### **Software Project Life Cycle**

*During the course of this IT audit, the NAO reviewed the manner in which the Housing Authority manages software development projects and the manner in which off-the-shelf or outsourced software is procured.*

*The NAO observed that at the Housing Authority, there was no evidence of a structured systematic way of building or procuring software applications. The NAO was however informed that the Authority intended to issue a tender through which an Estate Management System is procured, with the intention of making this software available to all the sections within the Authority, and thus replace the current software applications by this single system.*

*Furthermore, the NAO noted that the Housing Authority has engaged MITA to provide consultancy services to help in the requirements gathering phase and the drafting of the tender document. The NAO observed that MITA were holding a number of meetings with the Authority's personnel in this regard.*

#### **Developments: *Insignificant progress***

In December 2015, the Housing Authority issued an invitation to tender (ITT) for the procurement and implementation of an Estate Management System. Although four bidders submitted an offer, the ITT was cancelled due to the fact that, two of the bids exceeded the Housing Authority's allocated budget, another bid was administratively non-compliant, whilst the other bid was technically non-compliant. In June 2016, a second ITT was issued, but was later cancelled, for reasons similar to the previous ITT. Subsequently, in May 2017, a third ITT was issued but the call was cancelled, as no bidders submitted an offer.

Meanwhile, the NAO was informed that the Housing Authority, with the assistance of MITA, are currently working on the tender requirements, terms of reference and the estimated budget to be allocated. In this context, the Housing Authority intends to issue a fourth ITT for the procurement and implementation of an IT Housing Solution system later on this year, to cater for all aspects within the Housing Authority.

#### ***Network Infrastructure***

*As part of this audit, the NAO requested a network topology diagram of both the Local Area Network (LAN) and the Wide Area Network (WAN) but these were not made available. The CIO informed the NAO that an exercise was being carried out with the help of MITA to review the Housing Authority's network, draw network/logical diagrams and list any further hardware upgrades that may be required, including switches and network layouts. In this regard, the NAO recommends that the above diagrams are drafted as early as possible.*

#### **Developments: *Fully implemented***

The Housing Authority entrusted MITA for the design of a network topology diagram of both the LAN and WAN infrastructure. In this context, the NAO was provided with a copy of the Authority's network topology diagram, which was designed and approved by MITA.

#### ***Housing Authority Server Room***

*During the course of this IT audit, the NAO also held a site inspection in the Housing Authority's server room and observed that this room was not a purposely-refurbished server room, but a workshop that also housed the Authority's servers.*

#### **Developments: *Partly implemented***

Notwithstanding that all the Housing Authority's workstations are connected to Government's CORP Domain, and all the files and folders, together with the legacy systems, were migrated on to MITA's Segregated Hosted Environment, the NAO observed that all the Authority's servers (including the Authority's Domain controller and Office Automation) were still switched on, though disconnected from the Government network. In this context, the NAO was informed that the Authority intends to secure wipe and decommission all these existing servers by the end of September.

Meanwhile, the NAO positively observed that the Authority's server room was no longer used as a workshop or as a repository for obsolete hardware and was clean and free from clutter. However, the NAO opines that the tangled UTP cabling left on the floor should be tidied up or removed, whilst the UTP cabling in the main network cabinet should be neatly re-organised and the cabinet itself is to be kept locked, even from the sides.

### **Customer Care Unit**

*The NAO noted that the Customer Care Unit does not have a call logging system and is currently keeping track of all calls manually. The NAO strongly recommends the implementation of a software application in this regard.*

#### **Developments: Fully implemented**

Based upon NAO's recommendation, the Housing Authority implemented a form, using a Microsoft Access database, whereby all the enquiries received at the Authority's Customer Care unit are logged. However, the NAO was informed that this form was no longer being used and to simplify the whole process, a Microsoft Excel worksheet was instead created whereby all the necessary details were recorded accordingly and which could easily be used to extract daily/monthly reports and statistics whenever the need arises. Furthermore, a physical, handwritten sheet was also being used to log all telephone calls received at the Customer Care unit.

### **Reporting Tool**

*The NAO reviewed the reporting functionality facilities in each of the Authority's IT applications. Given that the Authority's IT applications have a homogeneous method of reporting, the NAO notes that the reporting functionality in the majority of the Authority's IT systems consists of reports issued using Structured Query Language (SQL) queries. These SQL queries are usually compiled by the key user/s of these systems. Support is also provided by the external contractor responsible for the maintenance of the Authority's IT applications, when needed.*

*The NAO deems systems that accept SQL commands and clauses as a security risk to an organisation, as data can be easily manipulated. Furthermore, data extracted using SQL queries depends directly on the accuracy and correctness of the query, inputted by a user, who may not know the structure of the database. Thus, the accuracy of the results obtained from such queries is something that NAO considers questionable. The current method of generating reports is not very intuitive, is not easy for a user to compile and may also be time consuming. Furthermore, generating reports through a reporting tool, gives a user the facility of clicking onto a value and drill down into the data and also the ability to do summing up etc. after the report is created.*

*The NAO thus recommends that should these IT applications be replaced, a system with a sound report generator is selected.*

#### **Developments: Insignificant progress**

As already stated earlier on, since December 2015, the Housing Authority has issued three ITTs for the procurement and implementation of an Estate Management System, all of which were eventually cancelled due to various reasons. Meanwhile, the NAO was also informed that a fourth ITT should be issued later on this year.

Thus, unless the fourth ITT is published, awarded and a new IT Housing Solution system with a sound reporting functionality is implemented, the end-users within the Housing Authority still do not have the means to generate reports, in an easy, quick and secure manner.

### **Disposal of Information**

*The Housing Authority collects a considerable amount of personal and sensitive data including data related to the medical history of an applicant. This information is inputted in the Authority's databases and stored as a hard copy in an applicant's physical file.*



Furthermore, during the course of this IT audit, the NAO noted that a considerable amount of hardware, which was no longer in use, was being kept in the server room awaiting the go-ahead for its disposal.

The NAO recommends that:

- The Authority limits the access of personal sensitive data in its physical file to a minimum. The Authority may decide to implement a policy whereby personal sensitive data is first inserted in a closed envelope, and then filed in the physical file from where it may be accessed upon sign-off.
- Whenever a PC or laptop is to be disposed of or is to be transferred to a different user within the Authority, any work related data is to be backed up and handed over to the respective Head of Section, who will check whether all work related data has been retrieved. The IT Unit should then securely erase all the data residing on the hard disk, using a data wiping software application. This ensures that no data can be recovered from that drive. The PC should then be re-imaged with the Government standard software package.
- The Authority ensures that the disposal of information on all types of media should be regulated by a policy that should be drafted and communicated internally. This policy should describe the procedure to be adopted for the disposal of any confidential information, which may reside on paper, flash memory devices, CD/DVDs, etc., through shredding, securing wiping and/or physical destruction etc.

#### **Developments: Partly implemented**

The NAO could not review how securely the Housing Authority carries out data wiping, as the tool utilized for this purpose was not installed on any of the PCs/laptop used by the ICT team at the time of the onsite audit visit. Nonetheless, the NAO observed that prior to re-issuing a workstation, which had previously been used by another Housing Authority officer, an e-mail confirmation was obtained from the Executive Head to grant approval to wipe out this previous officer's data on the workstation, prior to re-imaging it with a fresh operating system and software applications.

#### **Data Retention Policy**

The NAO noted that the Housing Authority has no formal Data Retention policy and all files are kept for record purposes. Furthermore, during the course of this IT audit, the NAO noted that the Housing Authority collects medical and other sensitive data so as to carry out its functions and process applications to particular schemes. The NAO recommends that this data is enclosed in sealed envelopes so as to limit its excess. This data should not be retained for longer than necessary.

The NAO recommends that the Authority:

- Establishes a set of retention periods depending on its business requirements.
- Draft a Data Retention policy and distribute it to all staff. This policy should also be made available to data subjects, should it be requested.
- ;
- Drafts a set of procedures detailing how the data retention requirements emulating from the policy are to be followed.
- Decides on the best ways to dispose of its records.
- Obtains approval from the National Archivist, as necessary.



*The NAO also recommends that the Authority follows the Government's HR retention policy in regards to its HR data. This policy was issued by the Public Administration Human Resource Office (PAHRO) in conjunction with the National Archives, who endorsed this policy, in line with the provisions of the National Archives Act and the Commissioner for Information and Data Protection.*

**Developments: Insignificant progress**

The NAO was informed that to date, a data retention policy has not yet been drafted. In fact, the Housing Authority's Management is still in the initial stages of deciding on a data retention policy and a set of procedures detailing how the data retention requirements emanating from the policy are to be followed. It is envisaged that within six months from NAO's onsite audit visit, the Housing Authority should be in a position to conclude a draft policy for all these processes.

**Offline Mailboxes**

*During the course of this IT audit, the NAO noted that offline mailboxes of personal or generic e-mail accounts are being stored locally on the user's PC. In this regard, the NAO recommends that the IT Unit should provide guidelines to all the officials within the Authority, on how to backup and securely store offline mailboxes.*

**Developments: No progress**

To date, every user within the Housing Authority is still responsible for archiving their offline PST file locally on their workstation. In fact, the NAO was informed that no action has yet been taken on the provision of archive space for backing offline PST files, and at this stage, the Housing Authority is still considering different options on how to securely backup its' users' offline PST files.

**Multi-function Printers**

*During the course of this IT audit, the NAO observed that the location of some multi-function printers may not be ideal in terms of data security. The NAO recommends that these printers are removed from corridors and relocated to enclosed areas, which could not be frequented by members of the general public.*

*The NAO recommends that the Housing Authority configures all these multi-function printers enabling all features of such machines including scan to e-mail and secure printing, where applicable.*

*The NAO also recommends that the Authority configures the Management Protocols of these printers enabling Management to audit the files being printed. Such software would offer real-time activity logs ensuring that there is no misuse of the equipment, whilst controlling the personal data being printed by members of staff.*

**Developments: Partly implemented**

The NAO was informed that the Housing Authority intends to implement secure printing on its multi- function printers. In fact, the ICT team stated that a decision was taken by Management to implement this feature on multi-function printers that are installed in the Authority's common areas. In this regard, the NAO observed that the ICT team had already implemented secure printing on one of its' multi-function printers at the time of the onsite audit visit.

**Business Continuity**

*The NAO observed that as in case of most entities audited by the NAO, the Housing Authority has no formal documented Risk Assessments, and no Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP).*

*The NAO has however noted that at the time of this audit, the Housing Authority has engaged MITA to trigger off the process of migrating all its servers to MITA's Data Centre facilities. In this regard, the NAO recommends that a Service Level Agreement (SLA) is put in place between MITA and the Authority, documenting the measures that will be taken to mitigate the risks involved, in the event of a disruption or total failure in the Authority's IT systems and network connectivity. Furthermore, the NAO suggests that all the Authority's software applications are hosted at MITA and are backed up daily with backups stored in an offsite location, as per MITA procedures.*

*The NAO suggests that a Business Impact Analysis and a Risk Assessment exercise are carried out, from which a BCP that includes a DRP is drafted at an Authority level.*

### **Developments: Fully implemented**

The NAO was informed that the Housing Authority's Management has determined a number of critical and non-critical functions, as well as their Recovery Point Objectives<sup>1</sup> (RPOs) and Recovery Time Objectives<sup>2</sup> (RTOs). Following this process, technical requirements documentation was compiled by the Ministry's IMU to identify ICT-related functions, which are fully dependent on the availability of its ICT services within the Housing Authority.

The NAO positively observed that the critical services, including the Microsoft Active Directory Services<sup>3</sup>, Office Automation (OA) files, Payroll and Accounting package, e-mail server<sup>4</sup>, and the Authority's legacy systems (database front-ends), amongst others, are all hosted and managed by MITA.

In this context, the NAO was also informed that the Housing Authority had signed a service contract with MITA, whereby the critical ICT environments within the Authority are stored on a number of consolidated service environments, which are common to a number of other Government entities, including the MFCS. These consolidated service environments each have agreed-upon service levels, that are guaranteed by MITA, in order to ensure business continuity.

In addition, it was noted that the recovery objectives adopted by the Housing Authority are based upon those defined within the service contract that exists between MITA and the Authority, and for each critical environment, an RTO and an RPO were defined where applicable.

## **Conclusion**

The NAO commends the efforts made by the Housing Authority to address the shortcomings highlighted in the 2015 IT Audit report. However, the NAO observed that some recommendations have not yet been fully implemented, mainly the implementation of a new IT Housing Solution system, the decommissioning of the Authority's internal servers and the implementation of secure printing on its multi-function printers. In this context, the NAO reiterates that the recommendations previously made are to be taken on board by the Authority without further delay, and evidence of any action taken in this regard is to be documented and filed for future reference.

In conclusion, the NAO opines that the Housing Authority should speed up the process for the procurement and implementation of a new IT Housing Solution system, so as to replace the various fragmented databases currently in use, and come up with a solution on how and where to securely backup its' offline mailboxes.

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<sup>1</sup> The acceptable data loss in case of a disruption of operations – it indicates the earliest point in time that is acceptable to recover the data and effectively quantifies the permissible amount of data loss in case of interruption.

<sup>2</sup> The acceptable downtime in case of a disruption of operations – it indicates the amount of time allowed for the recovery of a business function or resource after a disaster occurs.

<sup>3</sup> User profiles that are used for logging into workstations, e-mails, accessing OA files, Internet access and most other ICT services within the Housing Authority, are created and managed using the CORP Domain's Active Directory service.

<sup>4</sup> The Housing Authority utilizes the central Government mail services.

## 2017-2018 (to date) Reports issued by NAO

### NAO Work and Activities Report

April 2018 Work and Activities of the National Audit Office 2017

### NAO Audit Reports

September 2017 Performance Audit: Landscaping Maintenance through a Public-Private Partnership

October 2017 Performance Audit: Maintaining and Repairing the Arterial and Distributor Road Network in Gozo

November 2017 Follow-up Reports by the National Audit Office 2017

November 2017 Performance Audit: Outpatient Waiting at Mater Dei Hospital

November 2017 Report by the Auditor General Public Accounts 2016

December 2017 Annual Audit Report of the Auditor General - Local Government 2016

December 2017 An Analysis on Revenue Collection

January 2018 The use of IT systems to identify skills and professional development needs within the Public Service

February 2018 Performance Audit: The designation and effective management of protected areas with Maltese waters

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

May 2018 An Investigation of anonymous allegation on a Home Ownership Scheme property in Santa Luċija

May 2018 An Investigation of the Mater Dei Hospital Project

June 2018 An Investigation of allegations on Dingli Interpretation Centre

June 2018 An Investigation into the Findings of the Local Governance Board

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

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

September 2018 Performance Audit: An evaluation of Government's deal to design, build and operate the Malta National Aquarium

