



Performance Audit:
An analysis of issues concerning the
Cooperative Movement in Malta

November 2019



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List of Abbreviations

CCF	Central Cooperatives Fund
KM	Koperativi Malta
LN	Legal Notice
MCF	Malta Cooperative Federation
MEID	Ministry for the Economy, Investment and Small Businesses
NAO	National Audit Office
PLRC	Premises and Legacy Review Committee

Executive Summary

Why This Study?

The State's central role in encouraging cooperative development in Malta is entrenched in the country's Constitution. Yet, the local cooperative movement has, for years, been passing through a trying time due to disputes between the two cooperative associations. NAO conducted this study to identify these issues and recommend a way forward.

What NAO Recommends

Government is encouraged to retain majority control of the CCF till it deems the cooperative sector as sufficiently stable to re-absorb this function. It is additionally suggested that the period in which governance concerns prevailed within the CCF are audited to ascertain that funds were always appropriately utilised. It is also recommended that, if disputes persist, Government should consider the use of disincentives. Finally, the Administration is to make the best use of the forthcoming changes in legislation, so as to better safeguard its interests.

NAO's Key Observations

Cooperatives in Malta are exempted from paying income tax but are required to contribute 5% of their annual surplus into the Central Cooperatives Fund (CCF). This ring-fenced public fund, which balance sheet read €5.1 million as at end 2018, is managed by a committee, the composition of which calls for a mix of Government and cooperatives' representatives. This committee is entrusted to evaluate claims, primarily submitted by cooperative associations, and to disburse funding to such claims from this fund for the sole use of cooperative development and in accordance to considerations set by law.

CCF has however been at the centre of disputes and issues which prevail within the cooperative movement. From its review, this Office observed a premises related concession and favourable lease agreement by this committee to the main cooperative association, which did not sufficiently safeguard government's interests. It also noted a period in which governance risks prevailed in CCF's operations, as the majority of its members were also heavily involved within the main cooperative association of the time. Nonetheless, NAO noted that no audit was retrospectively carried out by Government to determine whether this public fund was always appropriately used.

This review also showed that, since the inception of the second cooperative association in 2012, constant disputes characterised this sector. Even if most proved to have very limited success, Government has attempted several remedial actions throughout this period, amidst claims of discriminatory use of the fund. The most notable of these was the setting up of a Committee of Government appointed experts to bring all involved parties to agree on a way forward for this movement, and resolve past premises and legacy issues. This initiative saw all parties agree on a way forward and formalise it into what came to be known as the Excelsior Accord. It was also agreed that the outcome of a subsequent report by a Premises and Legacy Review Committee (PLRC) was to be accepted by all. It is important to highlight that the Excelsior Accord and the PLRC outcome were considered by all as a single package and one could not come into effect without the other.

Despite the above agreements, however, NAO noted that the PLRC report, once finalised, was not accepted by all parties and disputes re-emerged. This also meant that the way forward as set in the Excelsior Accord could not come into effect, casting the CCF in a renewed impasse.

Chapter 1

Introduction

This introductory chapter provides a brief insight on cooperatives, both locally and internationally, and on why NAO decided to carry out this exercise. The study's overall scope, objectives, adopted methodology and structure are also laid out.

1.1. Why this study?

1.1.1. The importance of co-operatives is entrenched in Article 20 of the Constitution of Malta, which specifically states:

'The State recognises the social function of co-operatives and shall encourage their development'.

This Office however feels that cooperatives are not as widely understood and appreciated by the general public as is the more comprehended capitalist model, even if academic studies show the former's economic and social importance particularly in times of crises.

1.1.2. While NAO originally intended to embark on a research initiative to better understand this area, preliminary work by the audit team immediately showed that the cooperative movement in Malta has, for quite some time, been passing through a very trying period. This is mainly due to the internal strife among the two primary associations which represent the local cooperative societies.

1.1.3. In view of this and of the major effect it is having on the sector in question, NAO decided to carry out an audit (rather than a study) to determine how events occurred chronologically, and consequently put forward its observations on the matter while recommending measures by which to improve the current situation.

1.2. Understanding Cooperatives

Defining a Cooperative

1.2.1. To better understand what a cooperative is, NAO here provides its definition based on its research. Specifically, this Office defines a cooperative as a group of individuals who have equal ownership or control of an undertaking which is engaged in either an economic or social activity. Unlike a conventional business (e.g. a private corporation), such an

undertaking is founded on the principle of one-member-one-vote. It is also understood that all members of a cooperative enjoy equal opportunity to put forward their opinions on how their enterprise should operate and collectively decide on the best way forward.

1.2.2. The cooperative model differs from the capitalist one, primarily due to its social element and its deep roots in the democratic form of governance. Essentially, a cooperative is an undertaking which follows the seven Rochdale Principles, which are quoted hereunder:

i. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

ii. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organised in a democratic manner.

iii. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

iv. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

v. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

vi. Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

vii. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

1.2.3. It is here also interesting to note that different models and forms of cooperatives exist which, while embracing the same seven principles, differ in their operations and focus. These different models are numerous, but these can be broadly classified into the following:

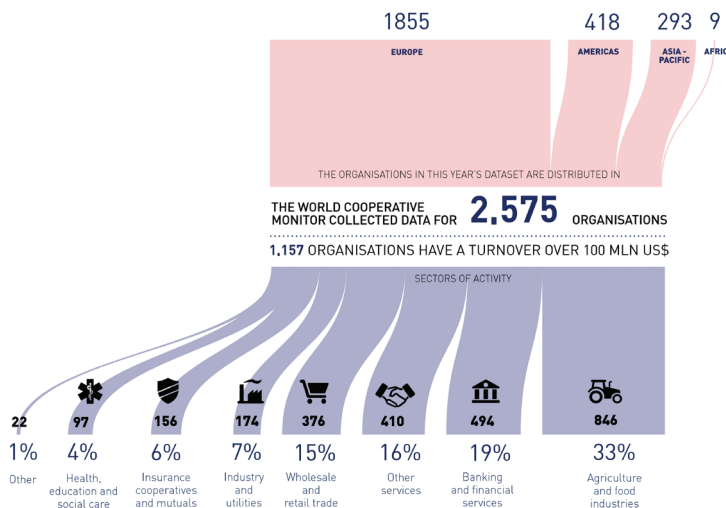
- i. **Producer Co-operatives** are owned by producers and/or service providers, engaged in the same market, who share resources and facilitate market access. Cooperatives of this type (which generally would include cooperatives in the agriculture and fisheries sectors) normally operate by having each individual member collecting one's own produce and transferring it to the cooperative. This, in turn, would absorb the sales, marketing and distribution functions, gaining the highest possible price for its members. Such cooperatives are generally characterised: by the low investment each member has to contribute upon joining; and by the practice of having the cooperative's surpluses distributed (through patronage refunds) to members.
- ii. **Consumer Co-operatives**, which feature heavily in the food industry, operate for the benefit of their customers. To this end, rather than aiming to sell the products at the highest possible margin, they endeavour to ascertain that consumers obtain high-quality services and/or goods at the lowest possible cost.
- iii. **Worker Co-operatives** feature members that are both owners and employees, who enjoy equal decision making power, and pool money so as to procure the necessary assets and equipment for the cooperative to function. This model makes it possible for members to secure better working conditions while providing the cooperative with sellable goods and/or services.
- iv. **Social Co-operatives** endeavour to offer a service to both their members and society, and are primarily focused on persons suffering from various forms of social exclusion. This is done by promoting the work/products/services of their members/workers, while ensuring the latter's equal treatment and better working conditions. This model of cooperatives also endeavours to offer training and employment opportunities to its target users.

- v. **Public Sector Co-operatives** are composed of government employees who would come together to offer Government a service. Such an undertaking would also, in part, be aimed at achieving a reduction in the number of workers employed within the public sector. The dynamics of such a cooperative would include the members retaining their public sector jobs albeit not being remunerated for it. They would however be entitled to participate in surplus distribution generated by the cooperative’s service provision to Government.

The international Cooperative Scenario

1.2.4. The cooperative model has grown on an international level and includes some of the largest, multi-billion Euro business undertakings globally and across various sectors. In fact, the World Cooperative Model Report (2018) reports on 2016 results and lays out the following facts on a sample of 2,575 cooperatives:

Figure 1: World Cooperative Data



Source: World Cooperative Model Report (2018)

1.2.5. On an international level, cooperatives are represented by the International Cooperative Alliance, which has set what it refers to as the “Cooperative Decade Strategy”. Worth noting in this strategy (particularly so that the magnitude and purpose of cooperatives on a global scale is contextualised), is that the International Cooperative Alliance is endeavouring “to make co-operatives the fastest growing form of business but also seeks to make co-operatives the acknowledged leader in environmental, social and economic sustainability” by 2020.

1.3. Cooperatives in Malta: A brief History and Context

- 1.3.1. The local cooperative movement can trace its roots from right after the Second World War. In fact, the first cooperative in Malta was the Żabbar Farmers' Cooperative Society and was officially registered in the year 1947. Over these past seventy years the movement grew and, as at June 2019, 72 cooperatives were registered in Malta, generating approximately €77.5 million in turnover in the year 2017.
- 1.3.2. In the spirit of the constitutional requirement for Government to promote cooperatives in Malta (section 1.1 refers), these undertakings are exempted, through Chapter 123 of the Laws of Malta, Part 3 Article 12(q), from the obligation of paying income tax. Instead, through Article 91(3) of Chapter 442 of the Laws of Malta (which is the main act governing cooperatives), cooperatives are required to contribute 5% of their annual surplus into the Central Cooperatives Fund (CCF). This public fund is ringfenced to be used for the further development of the cooperative movement and is administered by an appointed committee (which committee will be discussed in detail in subsequent sections of this report). Cooperatives, or their representatives (namely the aforementioned Associations which will also be further discussed in other parts of this report) can forward claims for funding, with the committee approving or otherwise in accordance with the requirements and obligations which are currently set out in Legal Notice (LN) 344 of 2016. The balance sheet of this fund read €5.1 million as at end 2018.
- 1.3.3. For the purpose of this study, four main stakeholders are being taken into consideration, namely:
- i. Cooperatives Board - The Cooperative Movement in Malta is regulated by the Cooperatives Board which has a distinct legal personality and falls under the Ministry for the Economy, Investment and Small Business (MEIB). Specifically, the Cooperatives Board is responsible to:
 - a. Register, monitor and exercise supervision and enforcement over cooperative societies and ensure compliance with the Cooperative Societies Act (Chapter 442);
 - b. Support and assist the establishment of cooperative societies in all sections of the economy and society; and
 - c. Furnish information regarding cooperative principles, practices and management;

The Cooperatives Board is composed of a Chairman and of not less than two and not more than six other members. All members, including the Chairman, are appointed by the Minister. A secretary to this Board is also appointed by the Minister. The Board has a term of not less than two and not more than five years.

- ii. Central Cooperative Fund Committee (CCF) – The CCF also falls under the MEIB and currently operates autonomously from the Cooperatives Board. As already mentioned,

this fund is financed through the contributions paid annually by Cooperatives (section 1.3.2. refers) and its responsibilities primarily include to:

- a. administer the Central Co-operative Fund;
- b. collect, recover and institute proceedings for the payment of sums to the CCF;
- c. finance programmes, including education and training relating to the promotion and development of the cooperative movement for members of and personnel engaged by cooperatives and other persons who may actively contribute to the promotion of the cooperative movement;
- d. commission studies and research on areas of co-operative activity or any individual co-operative society in Malta; and
- e. to support and intensify the participation of the Maltese co-operative movement in relevant organisations, activities and projects on an international level.

Through its work, NAO determined that this fund, albeit public property, should ideally be managed by a committee constituted mainly by representatives of cooperative societies. This primarily holds ground in view of the cooperative democratic control principle as outlined in section 1.2.2. above. Due to issues discussed throughout this report however, the current legal framework calls for a CCF composition of eleven voting members, six of which are independent members appointed by the Minister (for a period of three years). The remaining five are apportioned as three members appointed by a majority vote from amongst members of eligible and registered co-operative societies (unspecified duration); and two members from amongst eligible and recognised organisations (unspecified duration).

- iii. Cooperative Associations – The purpose of these Associations is to engage in operations which strengthen Cooperative representation in various fora, and to support the latter in their development. Up until 2012, Kooperattivi Malta (KM) was the only one of such associations in Malta. During this same year however, internal disagreements led for KM to split into two, and the Malta Cooperative Federation (MCF) officially emerged. It is also important to point out that, through the Cooperative Societies Act (Chapter 442), the title of ‘Apex’ is assigned to the association which has a membership of at least an absolute majority of all fully registered primary co-operative societies.
- iv. Premises and Legacy Review Committee (PLRC) – As already mentioned in section 1.1, the cooperative movement in Malta has, since 2012, been experiencing a turbulent period which has seen the two representing Associations in dispute. The PLRC is a committee commissioned by government to mediate between the two and set out a clear way forward for this sector. The terms of reference for this committee were officially established in May 2018 and it remains operational as at time of writing of this report. The PLRC is chaired by the former president of the International Cooperative Alliance and, since its inception, has compiled two key documents (namely the Excelsior Accord and the PLRC Report).

1.4. Split within Cooperative Association and Subsequent Developments

1.4.1. As already mentioned in section 1.1, the cooperative movement in Malta is currently in a very strained state. It is the audit team's understanding that, since the split between the cooperative associations as mentioned in point 1.3.3.iii (and consequently the emergence of the second association), continuous conflicts prevailed between the two, particularly on issues of funding from the CCF and the acquisition of premises from which to operate. While NAO is not in a position to determine whether this state of affairs has impacted the individual cooperative societies and in what manner, through this review it became manifestly clear that these conflicts have considerably held back the holistic development of the local cooperative movement.

1.5. Audit Scope and Objectives

1.5.1. This study is aimed at understanding what led up to the current situation and consequently the scope is set to cover contributory notable events. Specifically, while the overall period covered by this exercise essentially spans between the year 1999 and August 2019, the audit team focused on milestone events for its analysis.

1.5.2. It is also important to highlight that multiple stakeholders were and still are involved in this sector. As already stated in point 1.3.3. however, for the purpose of this study NAO analysed the involvement of the Cooperatives Board, CCF and PLRC. The audit team also had to take into account KM's and MCF's actions in this respect, but not those of the cooperatives themselves.

1.5.3. This study is purely a performance assessment of how this situation was and still is being handled by Government. Consequently, analyses on whether any financial transactions were in compliance with rules and regulations was not included.

1.5.4. This study was carried out with the primary objectives of:

- i. identifying what factors contributed to the current state of affairs;
- ii. determining whether government's attempted remedies were successful; and
- iii. forwarding recommendations on how identified issues can be mitigated.

1.6. Methodology

1.6.1. As this exercise was originally intended to be a research initiative on the cooperative movement in Malta, the audit team carried out extensive desk research in this respect. Local and foreign publications on this area were reviewed and in-depth meetings were held with leading academics from the University of Malta.

- 1.6.2. Once the NAO opted to convert this exercise into a performance audit, an in-depth issue analysis was drawn up to determine the main audit question. Following this, a number of sub-questions emerged, providing the audit team with a clear pathway towards the successful conclusion of this study.
- 1.6.3. Information was secured by the audit team primarily through two main channels, that is, by holding semi-structured interviews with key involved parties (specifically the Cooperatives Board, CCF, PLRC, KM and MCF) and through retrieved documentation. The team also attended information seminars (organised by KM) on good management practices in cooperatives to better understand the area at hand.
- 1.6.4. In completing this exercise, NAO focused on two principal tasks. First, the audit team endeavoured to string together a chronology of events so that a picture of what actually occurred during the scoped period could be presented (Chapter 2 refers). Once this was achieved, the audit team presented the identified central concerns in its reporting, deeming it the best and clearest way of presenting often intertwined issues (Chapter 3 refers).
- 1.6.5. The findings of this study, together with this Office's observations and recommendations, were presented to the respective Ministry for its feedback. These were then discussed during an exit conference prior to the publication of this report.
- 1.6.6. The NAO conducted this performance audit in accordance with the Standard for Performance Auditing, ISSAI 3000.

1.7. Audit Limitations

- 1.7.1. As stated throughout this report, the area under review is heavily characterised by discord. This fact amplified the innate challenge that auditors face during their work, namely to sieve received information, so that opinions and biases are sifted out and consequently only facts are reproduced in the final report.
- 1.7.2. Events which influenced the current state of affairs span over a period of 20 years. This broad timeframe generated significant challenges and delays for the audit team to retrieve certain information.
- 1.7.3. This exercise was conducted in a highly fluid and uncertain environment mainly characterised by the still active discord as well as by an ongoing process for the current legal framework to be changed. Such a situation inevitably added burdens to the audit team's work, with the latter having to constantly ascertain that its analysis remained in line with these external changes.

1.8. Report Structure

- 1.8.1. **Chapter 1** - This introductory chapter provides a brief insight on cooperatives, both locally and internationally, and on why NAO decided to carry out this exercise. The study's overall scope, objectives, adopted methodology and structure are also laid out.
- 1.8.2. **Chapter 2** – This section presents a chronology of events that led up to the current situation in the cooperative movement in Malta. It provides the reader with a summarised chronology through a brief textual version and then proceeds to present a more detailed timeline in graphical format. It must here be highlighted that this chapter is purely intended to lay out how the events in question unfolded and not to present this Office's related observations.
- 1.8.3. **Chapter 3** – This chapter presents NAO's main observations on the area under review. It is important to note that NAO's observations in this chapter are issue-based rather than documented on their position in the overall chronology of events. In view of this, it is hereby noted that certain incidents may be referred to multiple times throughout this chapter as they would have raised various concerns, thereby contributing to more than one of NAO's observations.

Chapter 2

Chronology of Events

This Chapter lays out a chronology of events which encompasses the main occurrences shaping the current situation of the cooperative movement and outlines the issues encountered over the scoped period. The chronology is presented in three phases: Phase 1 concerns issues surrounding the two CCF-financed premises intended for cooperative use; Phase 2 provides a chronology of the split within the Apex and the subsequent issues; while Phase 3 provides an overview on the build-up and present situation of Government's latest initiative to resolve these disputes, namely the PLRC. It must here be highlighted that this Chapter is purely intended to lay out how the events in question unfolded and not to present this Office's related observations.

2.1. Phase 1: Purchase of Premises

- 2.1.1. In 1999, premises in Balzan were acquired so that the Apex organisation (that is KM) could have a location from which to operate. While the contract of sale shows KM and the third-party seller as signatories, CCF minutes however indicate that this purchase was financed through CCF Funds, although the latter do not feature at any point in this same contract of sale. It is also important to point out that NAO, through its work and communication with key stakeholders, could not trace any written agreement signed between KM and CCF about any rights and obligations surrounding this acquisition (Chapter 3 refers for further details), and finds it highly improbable that any such agreement actually exists.
- 2.1.2. Nine years after the APEX (KM) purchased these CCF-financed premises, a new CCF Committee was appointed, albeit with a differing composition from that in 1999 (to comply with changes in legislation). NAO notes that the majority of this new CCF Committee were also members of the APEX organisation.
- 2.1.3. This new committee engaged in the purchase of another property. Specifically, in late 2008, the then CCF Chairman (who at the time also held the position of APEX Vice President), directed the CCF to search for premises (through a sub-committee of four members) to accommodate the needs of the APEX and CCF for more office space. This was done particularly in view of the APEX's stated concerns that the size of the Balzan premises was becoming a limiting factor. A subsequent CCF Annual General Meeting (AGM) resolution approved capital financing of €540,000 for new premises. It was also declared that, while these premises will be rented to KM for a nominal fee agreed upon by both parties, CCF will have beneficiary title. In addition, a condition was set in this resolution, namely that, should KM resolve to sell the Balzan premises, any net income from this sale would return to the CCF¹.

¹ As at time of writing of this report KM is still in possession of the Balzan premises

2.1.4. Following this resolution, premises in Qormi were purchased in 2009 by CCF for €535,755. A 15-year lease agreement was signed in 2010 between CCF and KM whereby the latter rented one room while securing the right of use of a furnished lift, common area, balconies, roof, entrance/reception area, hall/lecture room, board room, meeting rooms, archives, hall, kitchen and bathroom facilities. The lease agreement calls for an annual rent of €2 and allows the lessee to make available (gratuitously or for a charge) the halls or meeting rooms to third parties for specific events.

2.2. Phase 2: Apex split and subsequent issues

2.2.1. In 2012, members from KM left this association to form a new one, namely MCF. In the latter part of the same year, the MCF was formally recognised as an Association by the Cooperatives Board. Through its work, NAO learnt that, following this split, MCF started to voice a number of concerns, which include:

- (i) governance issues given that KM was heavily represented on the CCF;
- (ii) that since its inception, MCF received no funding from the CCF as opposed to KM despite both associations being recognised by the Cooperatives Board and contributors to the fund;
- (iii) the lack of premises arrangement to the MCF.

2.2.2. Meanwhile, a number of initiatives were taken by Government so that these difficulties could be mitigated. Specifically, these initiatives included:

- (i) **2012:** The establishment of a Provisional Board (which members were all appointed by Government) to oversee CCF's operations and authorise or reject any disbursement from the Fund (by virtue of LN 297 of 2012). This was intended as a temporary measure until a new legal framework was eventually launched which offered Government better representation (and hence control) on the CCF;
- (ii) **2016:** Through the introduction of LN 344 of 2016, there was a change in the composition of the CCF, with the majority of members being appointed by Government, as opposed to having a majority of co-operative societies representatives (as was previously the case). The introduction of this law saw the Provisional Board's purpose run its course and was consequently dissolved;
- (iii) **2018:** The PLRC (to be discussed better in Phase 3) was set-up to settle past issues and claims as well as to pave the way forward for CCF's operations.

2.3. Phase 3: The Excelsior Accord and PLRC

2.3.1. NAO was informed by the former International Cooperative Alliance President that, in March 2018 she was invited by KM to aid them in making a case to government. Specifically, KM's case was to argue against the fact that co-operative control on the CCF had been significantly diminished due to the introduction of LN 344 of 2016. During her visit to Malta, ex-International Cooperative Alliance President also met with MCF to discuss the various issues surrounding the local cooperative arena.

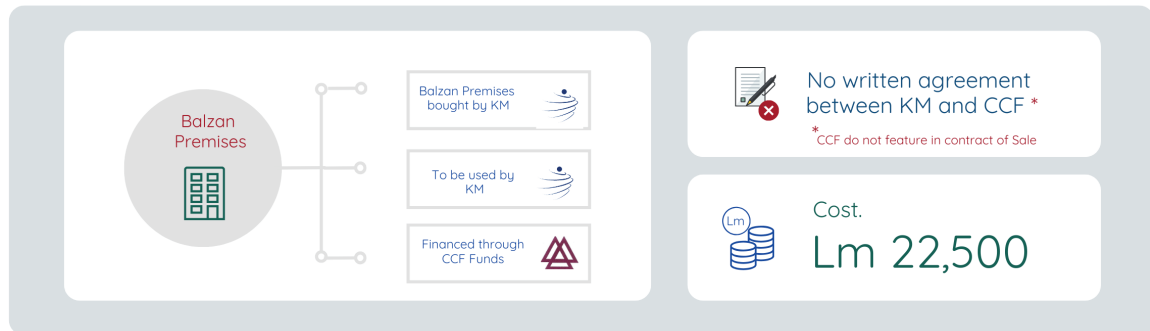
- 2.3.2. In this review, NAO established that Government, through CCF, took ex-International Cooperative Alliance Presidents' visit as an opportunity to establish a working committee intended to find solutions to presented disputes and propose a workable way forward for the cooperative movement in Malta. This committee (which is still operational as at time of writing of this report) is composed of ex-International Cooperative Alliance President (Chair) and two other members (who are independent from the local cooperative movement). These are assisted by another individual who serves both as secretary and legal advisor to this committee.
- 2.3.3. This committee asked both associations to nominate three representatives each for round table discussions. These meetings firstly led up to the compilation of the Excelsior Accord in April 2018, which text was finalised in May and both associations confirming their agreement (in writing) in June of the same year. While this agreement outlines a number of concords between all involved parties, NAO considers two as major milestones, specifically:
- (i) **Future Funding** - the basis for future funding from CCF to the two associations was established. The agreement reached determines that each association will be re-allocated with 70% of their annual contributions to the CCF, with the remaining balance being utilised for the funding of the CCF itself and projects which are jointly undertaken by both associations.
 - (ii) **Resolution of Legacy issues through the PLRC** – it was agreed that both associations would accept the conclusions of a review, conducted by this same committee, on past claims and disputes on premises and funding. This review is hereafter referred to as the PLRC process.
- 2.3.4. The PLRC was officially appointed, on the recommendation of the CCF Chair, to arbitrate on these legacy issues. This review Committee, NAO is informed, steered away from determining on whom the blame lay, but rather focused on breaking the prevailing deadlock and getting the cooperative movement functioning properly. In June 2018, all 72 co-operative societies were invited to submit the claims for this legacy period (2012-2017). Submissions received by the PLRC however only featured those made by the two associations, namely KM and MCF. NAO was informed that most claims did not fully conform with the requirements set out in the PLRC guidelines. PLRC subsequently met with both associations separately and, as claims were sufficiently clear, the committee opted to accept them.
- 2.3.5. In October 2018, the PLRC Report was issued. This report made a number of recommendations on how the premises and funding disputes could be resolved. While the more salient of these are discussed in greater detail in Chapter 3, NAO here draws attention to the fact that, in processing claims to past expenditure, the PLRC did not propose to award funding according to what these claims cited. Rather, this committee applied retrospectively the 70% future funding principle (as established in the Excelsior Accord - point 2.3.3 (1) above refers) to these claims.
- 2.3.6. Although both parties, through the Excelsior Accord, agreed to accept the outcomes of the PLRC report, objections were raised following the publication of the latter. Given these new contestations, the recommendations of the PLRC report and the Excelsior Accord have, as at time of writing of this report, as yet to be implemented.

2.4. Timeline: A Chronology of Events

LEGEND



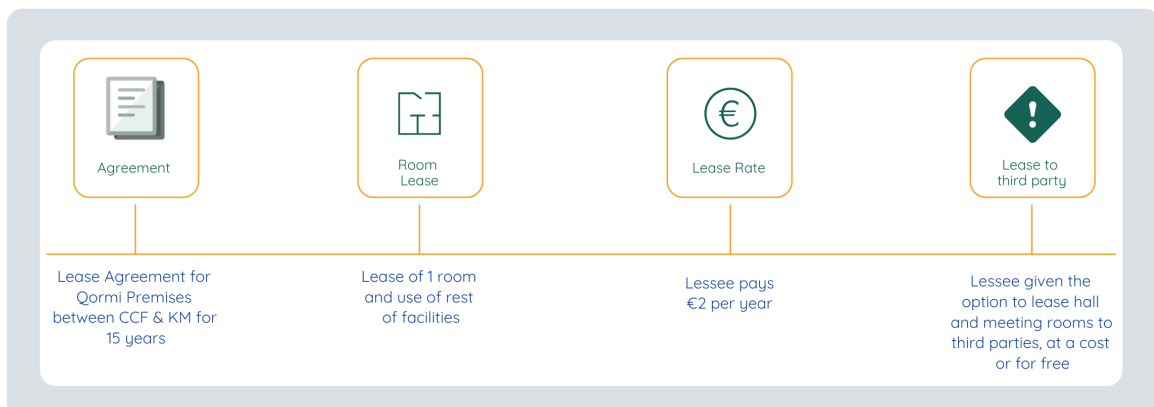
1999



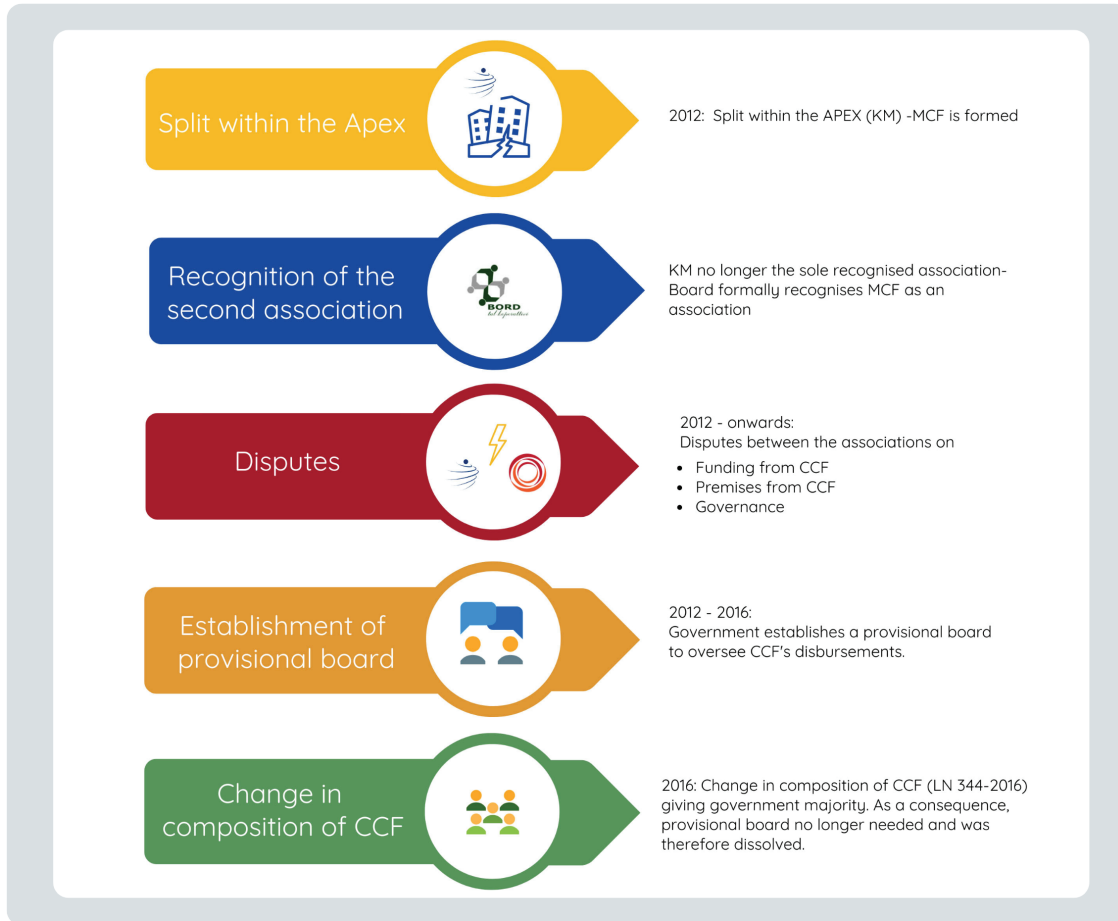
2008/2009



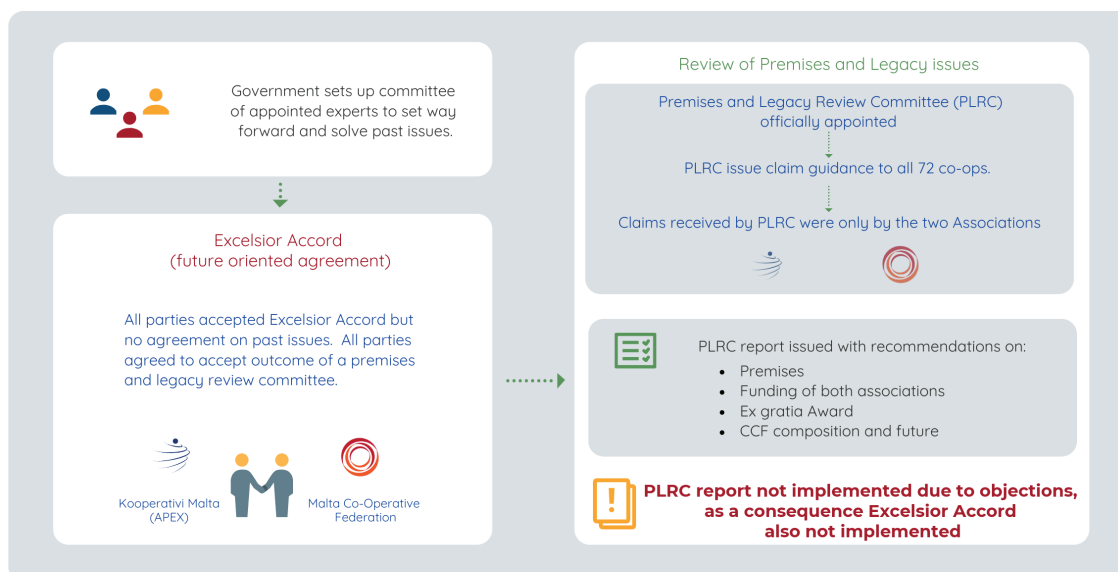
2010



2012 - ONGOING



2018



Chapter 3

Observations

This Chapter presents this Office’s main observations on the events highlighted in the preceding Chapter. The main outlined issues relate to past governance risks attributed to CCF, past contentions about the use of this fund (particularly on the procurement of two premises), and Government’s remedial actions and way forward. Subsequently, recommendations to mitigate the issues which are hampering the cooperative movement are put forward.

NOTE: Amongst others, this Chapter deals with a number of contentious issues between KM and MCF. To put these issues in perspective however, it is important to note that at least some of the group of individuals that split from KM to form MCF in 2012 were previously high-ranking officials within KM. Specifically, a number of these individuals represented KM (as the Apex) on the CCF for most issues highlighted in sections 3.1 and 3.2, up till their departure to form MCF in 2012. Nonetheless, it should also be highlighted that KM still retained practical majority on the CCF (through the appointment of other KM members) in the period between these individuals’ departure and the introduction of LN 344 of 2016 which changed the committee’s composition. It is also worth noting that, throughout the scoped period, KM held Apex status.

3.1. Governance risks prevailed when Apex had controlling majority on the CCF

At least four of seven CCF members hailed from Apex, giving it majority control

3.1.1. As already indicated in Chapter 2, the audit team noted that over a significant period of time², the Apex was heavily represented on the CCF, even if unofficially. Specifically, apart from two members to be nominated from the Cooperatives Board and one from the Apex, LN 108 of 2002 called for the CCF committee to include four members directly from cooperative societies. NAO however notes that this law did not categorically preclude the possibility of having any of these four appointed members from cooperative societies being also simultaneously involved within the Apex structure. In fact, this Office observed that, between October 2008 and December 2011, at least three out of these four latter designations (including CCF’s chairman), were in fact occupied by individuals who also held positions in the Apex’s hierarchy (some of which high-ranking). This essentially meant that during this period, the Apex enjoyed practical majority control over the CCF (which, as already explained, is the committee entrusted to approve or reject funding applications by cooperatives and their associations). It is important to note that this composition was no longer possible with the introduction of LN 344 of 2016, as this dictated that Government is to have majority representation on the CCF through the appointment of six out of eleven committee members.

² NAO was not in a position to observe the full history of CCF composition and any overlaps with Apex hierarchy, but focused on the mentioned period.

Provisional Board set up to monitor and approve CCF disbursements was hampered in its operations

- 3.1.2. During a meeting with Chair PLRC, the audit team was informed that the Provisional Board (set up in October 2012 through LN 297 of 2012) was established, to sit above the CCF and approve, or otherwise, all decisions made by the committee. This, Chair PLRC asserted, was done amidst growing concerns by Government about the credibility of the CCF and the way it was working. NAO was further informed by current Chair CCF (who was also ex-Chair Provisional Board between October 2014 and March 2016) that this Board was set up to address contentions and concerns that CCF (with a KM majority) was only processing funding claims submitted by KM, but not those received from the then newly set-up MCF. Secretary CCF also informed NAO that this board was intended as a temporary measure for Government to regain control of the CCF, until LN 344 of 2016 (which changed the CCF composition) came in effect, thereby allowing Government majority representation on this committee.
- 3.1.3. For context's sake, Article 3 (1) LN 297 of 2012 bestowed the following responsibilities on the Provisional Board:
- a) *to promote, advance and solicit ideas for projects related to the strengthening of the cooperative (sic);*
 - b) *to approve, refuse, amend or change requests and proposals made to it by the committee;*
 - c) *to authorise any spending and other expenses from the Fund, as may be recommended to it by the Committee or as it may establish;*
 - d) *to authorise any proposal related to the collecting of contributions due to the Fund, as may be proposed to it by the Committee or as it may establish.*
- 3.1.4. Ex-Chair Provisional Board/Chair CCF informed the audit team that, during its existence, the Provisional Board adopted an approach to approve justified claims, such as those for salaries, administration and for initiatives intended purely for the betterment of the cooperative movement, while other claims were blocked. Interestingly however, the PLRC report (which will be discussed in more detail) refers to the Provisional Board's approach on KM as restrictive and that, as a consequence, the latter could not carry out all of its intended plans during the period whereby this Board was in force.
- 3.1.5. While this practice seemed to have introduced an added layer of control on CCF disbursements at the time, NAO however notes that Article 3 LN297 of 2012 (as reproduced in section 3.1.3 above) implies that the Provisional Board was to process claims, made by associations or cooperative societies, which had been forwarded to it through the CCF (which at the time had heavy KM representation). Ex-Chair Provisional Board/Chair CCF expressed his concern with the audit team that, during its existence, the Provisional Board was not receiving claims for funding from MCF through the CCF as these were being blocked at committee level.

- 3.1.6. Notwithstanding the above occurrence, NAO notes that the concern of MCF funding claims not being received by the Provisional Board was tackled through the operations of the PLRC, which will be discussed section 3.3.

CCF disbursements effected during the period in which significant governance risks prevailed were not retrospectively audited

- 3.1.7. The establishment of the Provisional Board (with its specific remit to oversee CCF's operations amongst growing concerns on the latter's credibility) and the introduction of LN 344 of 2016 (which gave government majority representation on the CCF), are interpreted by this Office as strong indications that governance risks were significant and indeed prevailing at the time. With this consideration in mind, it naturally followed that NAO enquired whether any retrospective audits were carried out by Provisional Board and/or CCF, to ascertain if these public funds were always correctly utilised and properly safeguarded. In reply, Ex-Chair Provisional Board/Chair CCF (in both of these capacities) asserted that such an exercise had not been undertaken.

NAO Observations

- 3.1.8. This Office interprets CCF's composition as was dictated in LN 108 of 2002, as one which was designed to spread representation on this committee, as much as possible, between involved stakeholders. To this end, while NAO once again acknowledges that this law did not categorically preclude appointed individuals to be members of more than one stakeholder simultaneously (particularly, being involved in both cooperative societies and the Apex itself), it strongly feels that having the Apex, in practice, able to obtain majority and consequently control over this fund, caused significant governance risks. This situation essentially meant that, during the outlined contentious period, the body entrusted to vet claims for funding to cooperative societies and associations (that is the CCF), was practically controlled by the same people who were submitting such claims.
- 3.1.9. NAO is of the opinion that LN 297 of 2012, which established the Provisional Board to oversee CCF disbursements, only provided the former with passive control on what was considered as an area with significant governance risks. The fact that the Provisional Board could only approve or otherwise what the CCF forwarded to it, without having the active ability of contending procedure, only enabled it to control what was made available to it but not to holistically ascertain that CCF was comprehensively adopting the principles of fairness, transparency and good governance. This Office contends that this situation resulted in a missed opportunity for the Provisional Board to extinguish certain disputes between the two associations before they materialised, and unnecessarily led to a drawn-out encounter.
- 3.1.10. This Office is concerned with the fact that neither the Provisional Board nor the CCF embarked on a retrospective audit to determine whether CCF funds were always

appropriately utilised, particularly during the period in which significant governance risks prevailed. While NAO acknowledges the establishment of the PLRC to settle past disputes (discussed in detail in subsequent parts of this chapter), it notes that this initiative, as per its terms of reference (section 3.3.2 refers) was only intended to dislodge the current deadlock and find a way forward. However, this Office observes, the PLRC was never tasked with establishing whether any CCF disbursed funds were inappropriately utilised.

3.2. Acquisition of Balzan and leasing of Qormi premises did not sufficiently safeguard Government's interests.

NAO deduces that the Balzan property was financed from CCF funds, but no records of such transaction could be found by CCF

- 3.2.1.** NAO is in possession of a contract for sale which documents a property acquisition process between KM and a third-party vendor for the Balzan premises in 1999. According to this contract, these premises were acquired for a sum of Lm22,500 (€52,425). However, although Government is not mentioned in this acquisition deal, NAO is informed (through meetings with incumbent Chair CCF and Chair PLRC) that this purchase was funded through the CCF. To this end, the audit team enquired with Secretary CCF for documentation which shows the recording of such a transaction from CCF funds. In reply, however Secretary CCF asserted that such a transaction could not be traced in CCF's records or its financial statements.
- 3.2.2.** In view of this, NAO sought to retrieve more information to get a clearer version of events. To this end, the audit team sought to review minutes of CCF meetings which were held in the period leading up to, and during this procurement process. Secretary CCF however informed NAO that minutes dating back to 1999 could not be found. Minutes of CCF meetings concerning the 2008/2009 Qormi premises acquisition process (which will be discussed in greater detail further on in this report) were however forwarded to the audit team (even if for a separate analysis within this report). Apart from their core purpose, these minutes also gave insights into the Balzan acquisition process. Specifically, these minutes show that the ex-Chairman CCF (who was also the Vice President KM) had made a clear reference of funds being transferred from the CCF (through an approved resolution during a CCF general meeting) for the purpose of acquiring the Balzan premises.
- 3.2.3.** In the absence of a document which clearly and definitively shows CCF funds being used to finance the Balzan premises acquisition, NAO feels it can rely on the above-presented evidence to conclude that these premises were, in fact, financed by CCF funds.

No formal agreement was traced that outlines KM obligations and Government rights on the Balzan premises

3.2.4. It is NAO's considered opinion that Government assistance, especially one so significant as the provision of premises from which an entity could operate, should be accompanied with clearly documented terms of use, rights and obligations. To this end, the audit team enquired with Chair CCF and Secretary CCF whether any agreement was signed between CCF and KM during or around the time of the Balzan premises acquisition process, which clearly outlines Government's rights on the premises in question, as well as KM's obligations throughout its use of this same asset. In reply, CCF asserted that information on this event was very limited and consequently, a copy of such an agreement could not be retrieved.

Very weak retrospective agreement on the Balzan Premises' future

3.2.5. Throughout the CCF minutes on the process of the Qormi premises' acquisition, NAO noted that CCF introduced a condition on KM (through a resolution approved in the 2009 CCF AGM) which stated that for the latter to benefit from this new property, it had to commit itself to forward all proceeds generated from the sale of the Balzan premises. The setting of this condition was confirmed by the audit team during a meeting with Chair PLRC, who also forwarded NAO with a copy of this resolution.

3.2.6. NAO however observed that this agreement did not bind KM to set a minimum price for which the Balzan property should be sold, nor set any specific date by which such a transaction should be effected. It is important to point out that, as at time of writing, this property remains unsold although KM is now operating from the Qormi premises. Additionally, NAO is also informed that the Balzan premises have been unused for a number of years and are currently in a state of disrepair.

No documents found that record detailed justification for CCF to procure Qormi premises

3.2.7. The audit team observed that on the 14th of November 2008, CCF (which featured heavy KM representation at the time) held a committee meeting for which other KM representatives also attended. During this meeting, ex-Chair CCF informed the committee that efforts had started for new premises to be identified for acquisition so that these may better accommodate KM's and CCF's exigencies. The Qormi premises were subsequently purchased by CCF through its fund from a third-party vendor, with the intention to be leased to KM. The contract of sale (dated 22nd September 2009) denotes that these premises were acquired for the sum of €535,755, and that CCF was the buyer.

3.2.8. During its review of subsequent CCF minutes, the audit team however could not find any detailed justification for this acquisition, save for a one sentence statement by ex-Chair

CCF that the Balzan premises was too small and was therefore limiting KM's operations. Pursuing this further, NAO enquired with current CCF whether it is in possession of any documentation detailing the justifications presented by KM for the need of new and bigger premises. In reply however, CCF informed this Office that such documented justification could not be retrieved.

Qormi Lease agreement is very one-sided

3.2.9. Following the above mentioned purchase of the Qormi premises, an agreement was drawn up between CCF and KM so that these premises may be leased by the former to the latter. This agreement (signed on the 15th September 2010) has an effective period of fifteen years and sets a rent rate of €2 a year. Specifically, this agreement states that KM leased one room from these premises but also enjoyed right of use of a furnished lift, common area, balconies, roof, entrance/reception area, hall/lecture room, board room, meeting rooms, archives, hall, kitchen and bathroom facilities. The lease agreement also allows the lessee to make available (gratuitously or at a charge) the halls or meeting rooms to third parties for specific events, but that such a proviso should not be constituted as a sub-lease (which would otherwise require permission from the lessor). During meetings with CCF, the audit team observed that the committee is also housed in one room within these same premises. To NAO's knowledge, no other entities make use of these premises.

3.2.10. In its review of this lease agreement, NAO however noted that no obligations are set out for KM to honour in return for this very favourable rent arrangement. Specifically, this Office observed that the lessee is not subjected to any conditions or deliverables which would give Government an indication whether renting these premises to KM at a token rate, is proving fruitful or otherwise, particularly with respect to the growth and betterment of the cooperative movement.

NAO Observations

3.2.11. NAO is concerned that the financial transaction used to finance the purchase of the Balzan premises could not be traced by the current CCF in its records. Although this transaction has occurred twenty years from the time of writing of this report, this Office finds no valid reason why such an acquisition should not be adequately accounted for. The same can be said on the fact that no formal agreement could be traced which clearly documents Government's and KM's respective rights and obligations insofar as the Balzan premises are concerned.

3.2.12. This Office considers the retrospective agreement on the Balzan premises as a missed opportunity for Government to effectively secure back its investment. Specifically, NAO is of the opinion that Government was left in a significantly weak position with respect to this asset, particularly in view that: no minimum price of sale was determined; no deadline by when these premises should be sold was set on KM; and no conditions (such as the

obligation of maintenance or payable rent) were laid out to disincentivise KM from holding on to this property unnecessarily.

3.2.13. While NAO positively notes that the CCF was the signatory in the purchase of the Qormi premises (and therefore holds legal title to this asset), it is concerned about the apparent lack of documented justification (particularly from KM's part) to the need for such a property to be procured. The substantial financial value of the property in question, the fact that CCF had already financed the acquisition of the Balzan premises in favour of KM (and to which KM still holds ownership), and that governance risks prevailed through KM's heavy representation on the CCF during the Qormi premises procurement process, are all factors which further reinforce the need to have adequate documented justification for such a request. However, the fact that such documentation could not be retrieved leads NAO to question whether such justification was ever documented and presented to CCF. Such documentation however would have enabled the latter to take an informed decision on whether an investment of such magnitude was indeed required for the betterment of the cooperative movement.

3.2.14. In view of the Constitutional requirement for Government to promote the cooperative movement in Malta, NAO does not contend the CCF's decision to lease premises to KM, with the outlined conditions, and at a very nominal rate. This Office is however apprehensive of the fact that such an agreement did not outline any obligations which bound the lessee to use this asset to achieve measurable deliverables that would have contributed towards the enhancement of cooperative activity and growth. This situation led Government into a position from which it could not ascertain whether its investment and concession were indeed contributing towards the achievement of the aforementioned Constitutional requirement.

3.3. The Excelsior Accord and PLRC: an accommodating approach still could not solve the situation

3.3.1. As highlighted in Chapter 2, a working committee was established with the intention of finding solutions to the prevailing disputes and propose a workable way forward for the cooperative movement in Malta. The way forward was formally set in the Excelsior Accord, which, as already stated, was agreed upon by all parties involved. Given that a cursory review of the documented agreement did not give any reason for concern to the audit team, NAO will not delve in detail into this accord, but considers it as an important milestone within the area under review, particularly as it is the only instance in which all involved parties agreed on a way forward. Additionally, NAO considers the relative success of the Excelsior Accord as the main factor and foundation which set the tone for the compilation of the subsequent premises and legacy review. Specifically, Chair Premises and Legacy Review Committee (PLRC) informed the audit team that this latter committee was intended to continue building the trust and confidence achieved through the process leading up to the Excelsior Accord, with the intention of securing future constructive relationships between the two associations. As already stated in Chapter 2 however, this accord specified that,

for it to come into effect, the recommendations made by the PLRC in its report had to be implemented.

3.3.2. NAO recognises that the PLRC was not intended to audit past periods in which governance risks prevailed, but solely to facilitate a process leading to an amicable solution between all involved parties in view of the disputes which materialised as from KM’s split and MCF’s emergence in 2012. Specifically, the PLRC’s terms of reference were as follows:

- (i) discuss and issue guidance to potential claimants in order for them to submit evidence-backed claims to the Committee;
- (ii) request documents and data from the claimants, the Cooperatives Board and the CCF;
- (iii) hear and discuss legacy claims from KM, the MCF and any co-operative society registered under the Cooperative Societies Act;
- (iv) make recommendations on the claims; and
- (v) prepare a report with the recommendations to the CCF.

3.3.3. Through its review of the PLRC report, NAO here portrays the most prominent recommendations presented in this committee’s publication (Table 1 refers).

Table 1: PLRC’s most prominent recommendations

Party Recommendations

MCF	<ul style="list-style-type: none"> • Premises: <ul style="list-style-type: none"> o To be provided with compensation of €70,000 for losing out on past premises support from the CCF from 2013 up to the PLRC. o CCF to provide premises to MCF of value which is pro-rata to the one leased to KM according to yearly contributions made to CCF. MCF to be allowed to participate fully in the choice of premises. • Past Funding: <ul style="list-style-type: none"> o Award of €475,100 • Ex-gratia awards as compensation for sustained disadvantages between 2013 and 2017: <ul style="list-style-type: none"> o Award of €80,000
KM	<ul style="list-style-type: none"> • Past Funding: <ul style="list-style-type: none"> o Award of €150,600. This was raised to €176,600 through PLRC’s report addendum. PLRC specifically states that this award was intended to compensate KM for claims it asserted were still due to it as they were not awarded through the Provisional Board’s restrictive stance. • Premises (Balzan): <ul style="list-style-type: none"> o To be sold as soon as reasonably possible, but without excluding the option of some expenditure on the property, to rehabilitate it at least in part, to increase its pre-sale value by more than the expenditure; o If this course is not followed, the value of Balzan should be included in calculating the provision to MCF.

- 3.3.4. From the fieldwork conducted, the audit team can establish and triangulate that the PLRC's fact finding exercise on the whole situation was generally clear and accurate. Upon reviewing the PLRC report however, NAO feels that in principle it cannot agree on how some of the award figures and other recommendations (which NAO deems were favourable to the associations) were determined by the committee in question. It is important to note that NAO has taken the conscious decision to not specifically identify which of these awards drew its attention in this regard, particularly in view of the emerging legal disputes as pointed out in section 3.3.6. This Office nonetheless can state that this observation relates to elements allocated to both associations. PLRC's replies to queries sent by this Office, together with the text of the committee's report itself, however suggest that the committee encountered practical difficulties to determine such conclusions. In fact, NAO notes that as a result these were determined through the professional judgement of the PLRC members, based on their combined but varied skills and experience.
- 3.3.5. The PLRC report was published in October 2018 and presented to the CCF and involved stakeholders. It is to be noted though that, even with written declarations by both associations at the start of the PLRC process that they will accept its outcome, contestations were still registered following this report's conclusion. These contestations were reviewed by the PLRC, with some revisions being effected and formalised through an addendum to the original report. Through the text of this addendum, NAO however notes a marked difference in the PLRC's approach to the situation, from a level of trust and optimism (following the relevant success of the Excelsior Accord) to declaring that *"it considered it impossible to secure a mediated agreement between the two claimants to the outstanding premises and legacy issues. Rather, in recognition of the deeply held differences, and passionate views held by both, the PLRC took the decision that it could not expect to disentangle the core of the disagreements, neither would it be sensible to do so."*
- 3.3.6. The audit team is informed that these contestations have led to a renewed impasse in the whole situation. In fact, Chair PLRC informed NAO that, as at 28th July 2019, this deadlock prevailed, preventing the full implementation of the PLRC recommendations, while hindering the Excelsior Accord from entering into effect. This Office is additionally informed that these contestations have escalated into a legal dimension, with legal letters and threats of legal actions being exchanged between the involved parties.

NAO Observations

- 3.3.7. This Office commends Government's appointed working committee for its efforts in trying to bring the involved parties together and forge a way forward through the Excelsior Accord. In particular, NAO once again acknowledges the relative success of this agreement, aligning the associations towards a workable and positively-set cooperative future.
- 3.3.8. NAO acknowledges that the PLRC process followed the positive result of the Excelsior Accord, and consequently was based on an element of perceived newfound trust and

openness. While this Office understands that this observation is only being made with the benefit of hindsight, it here contends that the recommendations in the PLRC report may, at times, have been too accommodating towards cooperative associations. NAO appreciates that an accommodating approach may have been resorted to by the PLRC so that the long-standing conflict between the two associations (which had inevitably negatively affected the cooperative movement for so long) would, at least, be diminished, thereby giving way to a more productive future. This Office however feels (albeit with the benefit of hindsight) that the eventual renewed impasse, and the escalation into a legal dimension following the PLRC report's publication, renders this approach as incommensurate with the actual situation.

3.4. Recommendations

- 3.4.1.** NAO acknowledges that Government has already made efforts (particularly through the establishment of the Provisional Board and the change of CCF composition through legal provisions) to mitigate governance risks highlighted in this chapter. This Office nonetheless recommends that in the interim period, Government retains majority control over this public fund. This should apply until such time that the latter deems the cooperative movement (particularly through its representative associations) as adequately functional rather than having the movement expanding its energy on internal disputes which negatively affect both cooperatives as well as the CCF.
- 3.4.2.** In the eventual scenario that Government deems it appropriate to start relinquishing CCF control back to the cooperative movement, NAO suggests that this is effected through a transitory period, during which a supervisory board is appointed to ascertain the smooth running of this process. However, unlike the Provisional Board which was operational between 2012 and 2016, NAO recommends that this board is allowed a broader and more active remit. Specifically, such a body should not be limited to merely approving or otherwise claims forwarded to it by the CCF, but rather be allowed to supervise the latter in its entirety (including its decisions, procedures and claim requests), thereby ensuring that principles of good governance are respected on all fronts. NAO further recommends that, in the event that Government deems this transition period as successful, the supervisory board may be dissolved and an appeals or grievances unit external to CCF could be established. This latter body may serve as a facility for any complainants to lodge appeals on CCF processed claims.
- 3.4.3.** While acknowledging that unblocking the current impasse and finding a way forward for the cooperative movement is of utmost importance, this Office suggests that a comprehensive audit on CCF disbursements is carried out, particularly on the period in which significant governance risks prevailed. This will certify whether the use of this public fund was always appropriate and, if not, determine what remedial action is required.
- 3.4.4.** Reference is made to the fact that current CCF could not trace both the financial transaction used to finance the purchase of the Balzan premises, as well as any documented justification

for the procurement of the Qormi premises. NAO urges CCF to make every effort so that it can determine with certainty whether such documentation ever existed, and if in the affirmative, trace, retrieve and archive it appropriately. In view of the probability that such documentation was never generated in the first place, this Office recommends that CCF determines whether any remedial action needs to be taken to safeguard government interests and/or mitigate any negative repercussions which may have materialised through such shortcomings.

- 3.4.5. NAO also urges CCF to ascertain that any retrospective, remedial or future contracts should be properly and comprehensively drafted. This recommendation is being made in view of the flaws in both the retrospective agreement on the sale of the Balzan premises, as well as the Qormi premises lease. In these specific cases, this Office encourages CCF to find any avenues through which it could: better secure the sale of the Balzan premises so that Government's interests are safeguarded, both in terms of value and timeliness; and set obligations/deliverables on the Qormi premises' lessee in return for the very favourable rate and conditions.
- 3.4.6. As already highlighted, NAO considers the PLRC as having adopted an accommodating approach towards the two associations in the hope of disentangling the prevailing situation. However, given the renewed impasse following the PLRC report's publication, NAO recommends that CCF (possibly through the PLRC) adopts a more assertive approach. Specifically, this Office urges CCF to explore all possible avenues through which the PLRC report, and consequently its recommendations, are time-barred. Following the expiration of this specified period, a new set of recommendations should come into force. Considering the length of time that this issue has remained unresolved and the several attempts by Government to solve this issue amicably, this Office recommends that any updated recommendations should now call for disincentives to associations if they do not forge a workable way forward, rather than propose renewed accommodating incentives for the same result. While NAO will refrain from suggesting measures on specific considerations so as not to influence the current state of affairs, it does suggest one overarching measure. Specifically, this Office suggests that, if the associations fail to agree on a workable way forward and put it to practice within the specified deadline, CCF should explore legal avenues so that funds accumulated at the CCF (fully or in part) should lose their ring-fencing status and be released for other use within the country's consolidated fund.

Concluding Remark

The long-standing disputes between the two cooperative associations have significantly hindered the potential growth of the local cooperative sector and diminished the purpose of the CCF as a fund for cooperative development. While it is NAO's considered opinion that a workable way forward could be found for this movement, it remains concerned that the current dynamics, coupled with the approach of the stakeholders involved, render the real possibility of such an outcome materialising, a rather remote one.

To this end, NAO appeals to Government for a stronger, more active and involved approach on CCF's operations and disbursements, until such time that the situation is deemed sufficiently stable for cooperatives to have their majority on this committee reinstated. Furthermore, NAO also urges Government to make good use of any forthcoming changes in applicable legislation so that, in view of the concerns and risks highlighted in this report, Government's best interests are fully safeguarded and a better framework for cooperative development in Malta is secured.

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November 2018 An investigation of matters relating to the contracts awarded to ElectroGas Malta Ltd by Enemalta Corporation (Abridged)

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