

# Follow-up Reports by the National Audit Office 2019





# Follow-up Audits 2019



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# Foreword

One of the most fundamental International Standards for Supreme Audit Institutions (ISSAI), namely *ISSAI 12 - The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*, promotes the efficiency, accountability, effectiveness and transparency of public administration. An independent, credible and effective Supreme Audit Institution (SAI) is an indispensable part of a stable democracy which also makes a difference in society through the strengthening of good governance of Government and public sector entities. Through its work, a SAI demonstrates ongoing relevance to citizens, Parliament and other stakeholders. In this regard, one of the main factors on which the ISSAI's *Principle 1: Safeguarding the independence of SAIs* is based refers to the critical requirement that '*national audit institutions should have appropriate mechanisms for following up audit findings and recommendations*'.

Hence our conviction to issue an annual NAO Follow-Up Audit Report, whereby we analyse the level of implementation of the recommendations put forward in our audit reports to address the shortcomings and issues identified in our assignments. In this third edition, we have undertaken 14 follow-up reports, 10 related to Financial and Compliance audits, 2 related to Performance audits and 2 related to IT stand-alone audits.

As can be noted, the level of implementation is, generally speaking, a very positive one, with over 90% of the recommendations reviewed in follow-up reports being fully or partly implemented. At the same time, we encourage the Administration to ensure an even higher level of good governance across all Government departments and entities in the best interest of our citizens. Ultimately, the effectiveness of our National Audit Office is closely linked to the changes brought about by our Reports as a result of which the public service offers a better quality of service.



Charles Deguara  
Auditor General

October 2019

## List of Abbreviations

AAR	Annual Audit Report
AVS	Attendance Verification System
CDAU	Child Development Assessment Unit
CEC	Chief Electoral Commission
CIS	Childcare Information System
CPAS	Clinical Patient Administration system
CPS	Contracts and Procurement Section
CPSU	Central Procurement and Supplies Unit
DAACC	Department for Active Ageing and Community Care
DBAN	Darik's Boot and Nuke
DC	Department of Contracts
DNTU	Did Not Turn Up
DSWS	Department for Social Welfare Standards
EC	Electoral Commission
ECCD	Elderly and Community Care Department
EDA	Extra Duty Allowance
EGRD	EcoGozo Regional Development Directorate
EO	Electoral Office
ERA	Environment and Resources Authority
EU	European Union
EWA	Energy Water Agency
FCS	Free Childcare Scheme
GCC	General Contracts Committee
GP	General Practitioner
HPRA	Health Products Regulatory Agency
ICT	Information and Communications Technology
IM&T	Information Management and Technology
IMU	Information Management Unit
IT	Information Technology
KOLS	Koperattiva Linen Service Ltd
KPI	Key Performance Indicators
MAM	Medical Association of Malta
MCH	Mount Carmel Hospital
MCST	Malta Council for Science and Technology
MDH	Mater Dei Hospital
MEDE	Ministry for Education and Employment
MEH	Ministry for Energy and Health

MEIB	Ministry for the Economy, Investment and Small Business
MEPA	Malta Environment and Planning Authority
MFH	Ministry for Health
MFIN	Ministry for Finance
MGOZ	Ministry for Gozo
MITA	Malta Information Technology Agency
MPU	Ministerial Procurement Unit
MRA	Malta Resources Authority
MTI	Ministry for Transport and Infrastructure
MTIP	Ministry for Transport, Infrastructure and Capital Projects
NAO	National Audit Office
NAP	Nitrates Action Programme
NCCAS	National Climate Change Adaptation Strategy
NHSS	National Health System Strategy
PAS	Patient Administration System
PoM	Programme of Measures
POYC	Pharmacy of Your Choice
PPP	Public Private Partnerships
PPR	Public Procurement Regulations
PSMC	Public Service Management Code
QAD	Quality Assurance Department
RBMP	River Basin Management Plan
RIS	Radiology Information System
SAMOC	Sir Anthony Mamo Oncology Centre
SHE	Segregated Hosted Environment
SL	Sick Leave
SMS	Short Message Service
SOPs	Standard Operating Procedures
SPBH	Sir Paul Boffa Hospital
SVPR	St. Vincent de Paul Residence
TACTIC	Tools for Assessment of Climate Change impact on Groundwater Abstraction Strategies
TOR	Ticket of Reference
VAT	Value Added Tax
VL	Vacation Leave
WCMP	Water Catchment Management Plan for the Maltese Islands
WFD	Water Framework Directive
WSC	Water Services Corporation



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Follow-up Reports by the  
Financial and Compliance Audit Section

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# Department for Active Ageing and Community Care

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## Background

The Department for Active Ageing and Community Care (DAACC)<sup>1</sup> within the Ministry for the Family, Children's Rights and Social Solidarity aims to promote independence and dignity with advancing age, hence ensuring active ageing. It also provides care services in the community, assisting senior citizens.

The National Audit Office (NAO) published a report entitled 'Elderly and Community Care Department – Personal Emoluments' in the Report by the Auditor General – Public Accounts 2015<sup>2</sup>. The main objective of the audit was to ensure that personal emoluments for 2015 were appropriately recorded and processed according to the Public Service Management Code (PSMC) and other pertinent circulars. The adequacy of internal controls, intended to ensure accuracy and validity of salary payments, was also reviewed.

## Audit Scope and Methodology

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

Following an initial meeting with the respective officers, a set of questions were prepared. Management replies thereto 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 they featured in the 2015 Annual Audit Report (AAR). Developments pertaining to each issue follow.

## Key Issues

### ***Inaccuracies in Allowances paid to General Practitioners***

*The NAO salary recalculations in relation to two General Practitioners (GPs), for the period March 2015 to April 2016, revealed overpayments of €14,089 and €13,344. These resulted from the following:*

- a. GPs were receiving an erroneous Job Plan A+1<sup>3</sup> allowance due to an incorrect selection on the Payroll System when these employees' data was originally being inputted back in 2015. This resulted in overpayments of €1,088 each per pay in 2015 and €1,330 per pay in 2016.*

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<sup>1</sup> Previously known as Elderly and Community Care Department.

<sup>2</sup> Hereafter referred to as the Annual Audit Report.

<sup>3</sup> Used to define the contract on which these GPs were working.

- b. *An underpayment was created when extra sessions performed at St. Vincent de Paul Residence (SVPR) were remunerated at an incorrect rate.*
- c. *Underpayments in Extra Duty Allowance (EDA) were also noted when a public holiday fell on a weekday. Furthermore, GP attendance in relation to EDAs were held at the SVPR and not subjected to additional controls before payments were effected.*

*The Department could consider introducing new procedures to ensure that controls over the payment of personal emoluments are in place. Management might use a system of periodical exception reporting, whereby figures such as unusually high or low payments, amongst others, are assessed and investigated. This would ensure that any issues are tackled immediately and that any errors do not spill over a large number of salary payments. By so doing, the Department would be ensuring that any overpayments or underpayments are kept at the minimum amounts possible. A record of these checks should be kept for future reference.*

*Furthermore, it is recommended that the Elderly and Community Care Department (ECCD) is in possession of the full details of the attendance at the SVPR of said GPs. This would ensure that proper checks can be carried out before the amounts due to them, especially in relation to the EDA, are disbursed.*

### **Developments: Fully Implemented**

Following the audit in 2016, the Department introduced a Debt Recovery Policy to recoup overpaid amounts. Management also provided evidence that the amounts due by the two GPs were recouped by the end of 2018. Moreover, from an inspection on a random payslip of 2019, it was confirmed that the Job Plan allowance paid to the GPs in question was rectified, and the correct allowance is being given.

The Principal Officer that had to be specifically assigned to payroll reporting duties<sup>4</sup>, had still not been employed even though this requirement is included on an annual basis in the DAACC's Human Resources plan. However, the Department carries out random checks in relation to each payroll cycle and an exception report is issued showing those individuals whose salary exceeds €2,000. Salaries are then checked and justified on a case-by-case basis and any errors rectified accordingly. Another sample of around 10 employees is also selected from those whose pay is close to the €2,000 threshold to be checked accordingly.

The case of attendance records at the SVPR is no longer an issue since the GPs in question were no longer carrying out any extra duties there.

### **Employee simultaneously working with two Government Departments**

- a. *A Social Assistant working on a reduced timetable of 35 hours per week with the ECCD was also found to be working up to a maximum of 25 hours per week at the Education Department.*

*During the audit, this was brought to the attention of the respective employee who decided to revert to full-time employment with the ECCD and to work 15.25 hours per week at the Education Department.*

- b. *Audit testing also revealed that whilst the salary paid by the ECCD was correctly accounted for, the salary received from the Education Department was being included in the ECCD's payroll records as an allowance. Consequently, no Social Security Contributions were deducted on the income earned from the Education Department for the period under review.*
- c. *Government bonuses from both Departments also exceeded the annual maximum entitlement.*

<sup>4</sup> As indicated in the Governance Action Report that was based on the AAR 2015.

*In the eventuality that employees working within Government Departments have another employment, there should be a formal understanding between the two Departments about the employees' conditions of work and salary arrangements.*

*It is also recommended that the Department ensures that the Central Salaries Section is informed that this individual is working with two different Government Departments, hence practically engaged by the same employer, so that tax issues and Government bonuses are paid accordingly.*

*Furthermore, the ECCD is to assess whether the same situation in relation to the payment of Government bonuses recurred from 2010, covering the period during which this individual was employed with both Departments. The possibility of raising a claim for refund should also be considered.*

### **Developments: Fully Implemented**

Correspondence provided by the DAACC showed that the Social Assistant in question is no longer employed with the Ministry for Education and Employment, and that any dues that had to be refunded were settled successfully. A circular was also issued by the Department, reminding employees that public officers are to obtain permission from their respective Permanent Secretary before undertaking private work outside their official duties.

### **Retardation of Increments**

*The annual increment given to two Senior Nursing Managers following their promotion in 2013 was delayed by six months.*

*It is recommended that the amounts underpaid are settled accordingly by the ECCD. Enhanced controls will ensure that errors related to changes in the basic salary computations are limited as much as possible.*

### **Developments: Fully Implemented**

Both Senior Nursing Managers were paid a one-time amount in settlement of the amounts due to them because of the delays in receiving their increments for 2014 and 2015.

Management also stated that despite its intention to provide appropriate training in this regard by June 2017<sup>5</sup>, this has not yet materialised. However, it was stated that currently the staff within the Salaries Section is attending working groups in relation to the collective agreement signed with the Malta Union of Midwives and Nurses.

## **Control Issues**

### **Lunch Breaks not deducted from Public Holiday Allowances**

*A Senior Nursing Manager and a Chief Nursing Manager were registering 11-hour shifts on public holidays on their timesheets. No deductions were being made with respect to the lunch break. This resulted in extra costs for the Department.*

*It is in the interest of employees that they avail themselves of a rest period whenever their working day exceeds six hours. The Department should consider issuing a circular to all its employees to ensure that they are aware of this entitlement.*

*This would not only ascertain that the pertinent provisions are duly followed, but also that any calculations made on the basis of the time recorded on timesheets are accurate and consistent amongst officers.*

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<sup>5</sup> As indicated in the Governance Action Report that was based on the AAR 2015.

### **Developments: Fully Implemented**

In 2017, the Department issued a circular reminding employees to avail themselves of a rest period whenever their working hours exceeded six hours. During this follow-up it was confirmed that lunch breaks were duly deducted from the working hours during public holidays.

### **Shortcomings in relation to Timekeeping**

*Eight timesheets pertaining to Social Assistants were not endorsed by an authorising officer, whilst four additional timesheets were duly signed but not stamped, giving no evidence of who signed the document. In another instance, the selected officer did not indicate the time out on the timesheet, however it was still endorsed by an authorising officer.*

*Authorising officers are to be made aware of the fact that whenever they are endorsing timesheets, they are assuming responsibility that every detail is correct. Before overtime is paid, thorough checks are to be carried out to ensure the correctness of payments to employees, as well as to minimise adjustments to subsequent salaries.*

### **Developments: Partly Implemented**

This Office was informed that a specific person working in the Home Help Section checks all timesheets submitted by the contractor's employees. However, none of the monthly timesheets of Social Assistants that were reviewed during this follow-up were endorsed (signed and dated) for correctness.

## **Compliance Issue**

### **Inadequate Overtime Approvals**

*The NAO noted that the Ministry's Permanent Secretary approval for overtime conducted by sampled individuals during 2015 was lacking despite the specific PSMC provisions stating that this approval has to be obtained in advance, for periods not exceeding three months.*

*Additionally, all Request for Overtime Work forms were always made after the overtime was conducted. This implies, the relative approvals were also obtained retroactively.*

*It is highly recommended that overtime approvals are properly obtained in line with the PSMC requirements.*

*Furthermore, attention must be given to ensure that, as far as possible, overtime is approved by the appropriate levels before it is carried out, ensuring that proper control is exerted over the claim and request for overtime, number of hours worked and the resulting costs.*

### **Developments: Significant Progress**

From documentation provided to this Office, with the exception of some instances, approvals for requests for overtime work during a sampled period, namely October to December 2018, were obtained in line with PSMC requirements.

## **Conclusion**

The NAO satisfactorily noted that the majority of the shortcomings highlighted in the 2015 AAR were addressed by the DAACC.

# Department of Contracts

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## Background

The Director of Contracts' mission is to have the necessary administrative structures in place so that public procurement is carried out on the principles of non-discriminatory, transparency and equal treatment between economic operators.

The National Audit Office (NAO) published a write-up entitled 'Department of Contracts – Expenditure and Personal Emoluments' in the Report by the Auditor General – Public Accounts 2015<sup>1</sup>. The main objective of the audit was to ascertain that adequate levels of internal controls over the procurement and payment of selected line items were in place during the financial year under review (i.e. 2015). The audit identified various shortcomings related to general-use vehicles, inventory and travel, as well as weaknesses in respect of personal emoluments. The lack of verification on invoices for the lease of equipment also led to payments exceeding the contracted price.

## Audit Scope and Methodology

The scope of this follow-up was to enquire on the developments registered following the foregoing audit and to determine the extent to which the Department has acted upon the recommendations made by the NAO in the 2015 Report.

An introductory meeting was held with the respective officers at the Department of Contracts (DC) to discuss the progress registered following the publication of the Report. Management's feedback to the NAO queries were analysed, and supporting evidence was requested to substantiate any assertions made and the extent of the implementation progress.

Findings and recommendations proposed by this Office (reproduced in grey text), as featured in the 2015 Annual Audit Report (AAR), as well as developments pertaining to each issue follow.

## Key Issues

### *Personal Emoluments*

#### Weaknesses in recording of Attendance

*The Attendance Verification System (AVS) contained incorrect or missing data on employees, leading to inaccurate reports. The actual working hours inputted in the AVS reports did not always reflect the respective employees' current working hours, while the same reports did not portray the actual hours of Vacation Leave (VL) and Time*

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

*Off in Lieu when hours were availed of and not a whole day. The Department indicated that the functions of the electronic system in place were restricted, as the current AVS module available catered only for a full day's work.*

*Management was encouraged to review its current attendance record system and improve it to better suit its needs.*

### **Developments: Partly Implemented**

The current AVS system, introduced in May 2018, indicates the officers' break duration, actual hours worked, telework, flexible hours and overtime. However, VL and Sick Leave (SL) are still being inputted manually on the system, as the software is not integrated with a 'leave' module.

The DC stated that it is performing monthly reconciliations of the working hours recorded on the AVS to ensure that all officers work the required hours according to their working arrangements. The NAO verified a randomly selected employee's time clockings over a three-month period and no shortcomings were identified.

### **Officers' Clockings not always evidenced**

*Various instances were encountered whereby the respective officers failed to record their in and/or out time. According to the DC, in such cases, the actual clockings were obtained via telephone. However, no records to this effect were kept. Therefore, it could not be ascertained that the total number of working hours performed by officers was correct.*

*Management is to ensure that all employees clock in and out every time they report to or leave their workplace. Moreover, immediate disciplinary measures are to be taken against those officers who fail to adhere to such directives.*

### **Developments: Fully Implemented**

Following the issue of the 2015 AAR, officers employed with the DC started to clock in and out by means of a card clocking system. Management claimed that on a monthly basis, an email is sent to officers who fail to comply, and the respective Director is kept in copy.

In verifying a sampled employee's AVS records for a three-month period, the NAO did not encounter any instances where the officer did not clock in and/or out. Management declared that following the installation of the new AVS, no disciplinary actions were deemed necessary against its officers.

## **Control Issues**

### **Personal Emoluments**

#### **Requests for Approval for Overtime Work not raised**

*The Public Service Management Code (PSMC) requires Government Departments to formally request prior approval from the respective Permanent Secretary for any required overtime work. During 2015, the DC did not prepare such requests.*

*A detailed analysis of the necessary additional hours and required personnel is to be prepared prior to the performance of overtime work. The DC is also to ensure that these overtime requests are duly authorised by the Permanent Secretary, as per PSMC.*

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

Although not in the format prescribed by standing regulations, requests for overtime work were raised. Authorisation was given by the Director General of the DC, in line with OPM Circular No. 1/2018 – ‘Regulation of Overtime in the Public Service’. However, the NAO noted two instances whereby the authorisation for the overtime work to be performed was not granted prior to the commencement of such work.

#### **Vacation and Sick Leave Records**

*The VL and SL records were not adequately maintained. Amongst others, the NAO noted several discrepancies in VL entitlement and SL taken, which was not reflected in the AVS reports.*

*The maintenance of accurate and reliable records is a fundamental element of a sound system of internal control over personal emoluments. Regular reconciliations between the AVS reports, VL, as well as SL records, are to be performed by the officer in charge, to ensure that any relevant documents and records are updated accordingly.*

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

No shortcomings were identified when verifying the VL entitlement of two sampled officers. The accuracy of hours recorded on the VL record cards was also ascertained.

Moreover, the NAO did not encounter any discrepancies between the AVS records, the VL cards and the respective application forms, as well as the SL records.

#### **Expenditure**

##### **Additional VAT charged in respect of Lease of Equipment**

*During 2012, the DC entered into an agreement for the leasing of two multi-function printers, with quoted prices being inclusive of Value Added Tax (VAT). However, the DC was charged an additional 18%, being the VAT element, over and above the rate as per contract agreement, thus leading to overpayments.*

*All invoices are to be vetted for correctness against the rates stipulated in the Contract Agreement, before being processed for payment. The DC is also to identify the total amount overpaid to this service provider and to recoup the excess paid.*

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

The payments made by the DC during 2018 in relation to two contractual agreements for the leasing of printers were verified and it was confirmed that no additional VAT charges were paid.

Furthermore, a credit note of €4,634, covering overpayments from November 2012, was issued by the service provider in 2016 to refund the difference.

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

*Audit testing revealed lack of control over general-use vehicles. Logbooks were not always maintained in accordance with the provisions of the PSMC.*

*A logbook is to be kept for each vehicle in accordance with the requirements of the PSMC. Recorded details are to include the mileage covered, purpose of journey and fuel intake. Each logbook is 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 the fuel consumption is reasonable.*

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

When reviewing trips made in July 2018, the NAO noted that, although the respective logbook was adequately compiled and included the necessary details, there was no evidence that periodical inspections were carried out by a responsible officer. However, the mileage consumption recorded on the Fleet Management System was deemed reasonable.

### **Time Records not evidenced**

*The NAO obtained reports issued from the AVS in order to verify the accuracy of payments effected to a retired civil servant engaged on a Contract for Service basis. A review of these reports revealed instances whereby, instead of being recorded automatically by the system, the clockings were written manually by the same service provider. Furthermore, these AVS reports were not certified by a senior officer.*

*The DC is to ensure that all clockings are recorded and duly endorsed, where applicable.*

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

A randomly selected invoice issued by the service provider in question was verified to ensure compliance with the clauses of the Contract for Service and the hours recorded in the AVS. No shortcomings were noted in this respect.

## **Compliance Issues**

### **Expenditure**

#### **Shortcomings related to Inventory**

*Audit testing on inventory revealed the following shortcomings:*

- *The inventory database included different rooms having the same room number.*
- *The last four digits of the Asset Identification Numbers given to the items listed in all the room lists were omitted.*
- *At times, different assets were allocated the same Asset Identification Number.*
- *All assets selected for on-site inspection were not physically marked with the respective identification number.*
- *Numerous discrepancies were noted between the information included in the inventory database, items recorded in the room lists and assets actually traced on site.*
- *Room lists were not updated to reflect the transfer of items from one room to another.*
- *The inventory database included various items of insignificant financial value.*

*Management is to ensure that officers entrusted with the upkeep of inventory records fully adhere to the requisites of MF Circular No. 14/99 – ‘Government Accrual Accounting: Revised Inventory Control Regulations’, thus eventually ensuring adequate and harmonised accrual accounting data. The inventory database and room lists are to include accurate and detailed information. Rooms, as well as assets, are to be assigned a unique identification number. Management is also encouraged to carry out periodic physical verification of inventory items, to ensure that inventory records truly reflect the description and location of assets.*

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

Although improvement was noted in the details recorded in both the inventory database and room lists, the records still included several inventory items, which were immaterial in value. Furthermore, a number of assets recorded in the inventory database did not have a unique identification number.

#### **Shortcomings related to Travel**

*Whilst testing two visits abroad, the NAO noted that four officers extended their visit by some days, which were not for official business. However, in both instances, no quotations showing the different costs of the return flights, between the ones chosen and an alternative flight departing sooner, were traced in file.*

*Furthermore, the VL record cards of two of the respective officers did not reflect the utilisation of the VL for the extra days spent during one of the trips, due to misplaced VL application forms.*

*For the sake of transparency and good practice, if officers decide to extend their stay for reasons other than those on official business, quotations indicating the difference, if any, in the cost of flights, are to be invariably sought. If the cost of the return flight is higher, the officer concerned is to personally incur the difference in the price. Furthermore, the extra days are to be deducted from the officers' VL entitlement.*

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

The NAO tested two trips abroad which were extended for personal reasons during 2018. Quotations for airfares were reviewed to verify whether the most economically advantageous option was selected. No shortcomings were noted in this respect. Moreover, the VL was deducted from the respective officers' entitlement when visits abroad were extended for unofficial purposes.

#### **Conclusion**

The NAO satisfactorily noted that the required documentation was made available upon request and the majority of the shortcomings identified in the 2015 AAR were addressed by the DC. However, tighter controls are expected to be implemented with respect to overtime management and the respective authorisations. Management is also to enhance its attendance system and improve the maintenance of its inventory database. Additional monitoring over general-use vehicles is also recommended.

## Background

The conclusions following an audit carried out at the EcoGozo Regional Development Directorate (EGRD) within the Ministry for Gozo was published in the Report by the Auditor General – Public Accounts 2014. The audit identified weaknesses related to lack of segregation of duties, the absence of independent verifications by the Directorate on the quality of materials supplied for the various projects it undertook, as well as non-compliance with tender requirements. Most of the projects reviewed also experienced delays.

## Audit Scope and Methodology

The scope of this follow-up audit was to identify whether the outcome of the projects tested was successful, and whether Management had implemented the recommendations put forward by the National Audit Office (NAO) subsequent to the Audit Report in question.

To this effect, the Ministry was requested to provide a list of payments effected from Vote 39 Line Item 7239 in relation to projects undertaken during 2018. From the total of €932,424 paid during the year, a lump sum, representing 64% of the payments, was effected to the Water Services Corporation, for the purchase of a manure dewatering machine.

The Ministry also confirmed that during 2018 it was not involved in any infrastructural projects, and thus, the remaining payments effected throughout the year represented expenditure in arrears which was paid against supporting documentation, such as certified Bill of Quantities and invoices relating to grants issued to various entities. Since the latest completed infrastructural project carried out by the EGRD was awarded and carried out in 2016<sup>1</sup>, the NAO referred to this particular project to assess the developments on the main general control findings.

Meetings, vetting of supporting documentation substantiating Management claims, as well as site visits, were also undertaken.

For reference purposes, extracts of the main findings and respective recommendations that featured in the 2014 Report, are shown in grey text below.

## Key Issue

### *Governance Weaknesses*

*The audit exhibited a weak governance structure within the EGRD. This weakness encompassed:*

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<sup>1</sup> EGRD 21/2015 – The construction of rooms at il-Qortin ta' Isopu Nadur.

- a. *No independent verifications by the Directorate, on the quality of material supplied for the respective projects.*
- b. *Lack of segregation of duties, resulting in full reliance on one officer.*
- c. *Non-compliance with tender requirements, including delays in finalising projects, performance guarantees expired or overlooked, insurance policies and proof thereof not available, and order to start works not raised, amongst others.*

*Management was encouraged to develop its own internal control procedures, having regard to specific circumstances and characteristics. 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.*

*Furthermore, any clauses included in the conditions for service contracts, intended to protect the Contracting Authority, were to be fully observed. Management was also recommended to strive to resolve potential obstacles to the success of the project with related parties, prior to its commencement, and ensure that specific timelines are maintained. Copies of insurance policies and other documentation are to be requested, and kept in file accordingly.*

## **Developments: Partly Implemented**

### **Governance**

The Directorate expressed its concerns regarding the lack of availability of human resources and technical staff available for the implementation of future projects. In order to enhance the governance structure within the EGRD, the Directorate issued two calls for application to fill the vacant position of Senior Project Manager (Technical); however these proved unsuccessful since all applicants turned out to be ineligible. The third attempt to fill this position was made in August 2018, but the outcome of the respective interviews was still pending as at time of audit due to an appeal lodged by one of the applicants considered ineligible.

### **Segregation of Duties**

From 2016, the Central Procurement Unit within the Ministry for Gozo (MGOZ) became responsible for issuing the departmental calls for tenders, their evaluation and the respective contract award. Senior Management of the EGRD together with other Departmental Heads carry out the planning of projects. Once a particular project is approved, a staff member is nominated to act as its Project Leader and an Assistant Principal is held responsible to process the respective payments.

In order to reduce the burden on the Directorate, the EGRD will be appointing private contractors to act as Project Managers for future infrastructural projects. However, the Directorate's Project Leader will still be monitoring that the implementation is in line with the awarded contract.

### **Adherence to Tender Requirements**

A review of a works contract, awarded in 2016, in relation to the construction and finishing of rooms at il-Qortin ta' Isopu Nadur for the amount of €35,962 exclusive of Value Added Tax, required works to be completed within 12 weeks from the issue of the letter of acceptance which was dated 2 February 2016. This implied that works had to be completed by end of April 2016. The EGRD claimed that the project was complete by mid-April; however, no evidence to this effect was provided. Furthermore, the provisional acceptance certificate endorsed by the EGRD, as well as by the Projects Directorate, was issued on 16 September 2016, i.e. almost four months later.

The NAO confirmed that an adequate insurance cover was issued for the aforementioned project as per the applicable contractual obligations.

The recommendation put forward by the NAO in relation to testing a sample of concrete by an independent contractor appointed by the EGRD was also taken up. Laboratory test certificates, for samples taken in relation to the roof slab and platform, were satisfactorily issued and maintained in file.

## Control Issues

### *Child Development Centre in Victoria*

#### Background

*In 2012, a tender was issued through the Department of Contracts (DC) for a turnkey project involving the construction, servicing, finishing and commissioning of a Child Development Centre in Victoria. A contract, for a total value of €1,437,929 was signed on 8 March 2013, with works commencing on 22 July 2013.*

#### Delays in completing Project

*As at August 2015, the Project was not yet finalised and commissioned, because the provision of electricity from the sub-station by Enemalta Corporation was still pending.*

*The Directorate was to ensure that projects are finalised within established timeframes.*

#### **Developments: *The Child Development Centre was never opened***

Management confirmed that the Child Development Centre has been completed. The final certificates traced in the Directorate's file related to the delivery and installation of the heating, ventilation and air-conditioning units and lift systems (issued on 12 December 2017) and the photovoltaic systems (issued on 18 December 2017) respectively. Nonetheless, no final acceptance certificate in relation to the handing over of the premises to the pertinent authorities was provided to this Office.

The NAO was informed that following instructions by the Permanent Secretary, based on cabinet direction, the building was transferred to Steward Healthcare.

### *Installation of Photovoltaic Panels at Taċ-Ċawla Social Housing Estate*

#### Background

*A tender issued through the DC for the supply, installation and commissioning of photovoltaic panels, with a potential yearly output of approximately 71 kWp, was awarded on 3 November 2014 for €113,674. The project was due to be finalised by 24 February 2015.*

#### Delays in finalising Project

*A 22-week extension for the execution of the Project was requested by the Directorate, citing that extraneous<sup>2</sup> factors were hindering the commissioning of the photovoltaic panels. Management was recommended that prior to the issue of tenders, they engage in consultation with all stakeholders to ensure that, as far as possible, divergences are resolved in a timely manner. Established timeframes were to be adhered accordingly.*

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<sup>2</sup> Installation of meters from Automated Revenue Management Services Ltd were pending the transfer of accounts from the Government Property Department and the Housing Authority to the MGOZ. According to the Project Leader, this also depended on the successful payment of all pending bills.

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

The installation of 231 photovoltaic panels spread over the 15 blocks located at Taċ-Ċawla Housing Estate, Victoria, has been completed. On 25 May 2016, the Project Leader within the MGOZ issued the Provisional Acceptance Certificate for the supply, commissioning and installation of these panels. However, up to the date of writing this report, the Final Acceptance Certificate was not yet issued.

The Directorate also claimed that the photovoltaic's concentrator data device online monitoring system was experiencing some interruptions. To this effect, as at November 2018, the 5% retention monies deducted by the Directorate from each payment effected, amounting to €5,426, will only be released when the online monitoring system of every micro-inverter is fully functional.

#### **Feed-in Tariff Refund forgone**

*The refund from the feed-in tariff scheme due to the EGRD from December 2014 to July 2015 was lost, since the said panels were not yet connected to the meters. Furthermore, Enemalta Corporation still had to install a three-phase meter to connect the remaining six installations.*

*Consultation with all stakeholders at an early stage was strongly recommended to ensure timely collaboration from all parties.*

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

The NAO confirmed that the installation of the three-phase supply meter for 6 out of the 15 blocks within the Housing Estate was completed. The Directorate's Engineer confirmed that the energy generated from the installed photovoltaics panels is within the expected performance. Currently, the photovoltaic panels are working at 95% efficiency level, with over 282,000 kWh generated over the last two years, up to 23 October 2018.

In 2017, the balance accumulated from the feed-in tariff scheme amounted to €13,302, and this was distributed among the tenants of the same housing estate, as a financial incentive for the payment of the yearly meter service charge. In 2018, the Cabinet also approved the distribution of credits accumulated from these photovoltaic panels to the respective tenants.

### ***Landscaping and Maintenance Works at Ta' Isopu limits of Nadur***

#### **Background**

*The rehabilitation of a quarry at il-Qortin ta' Isopu in the limits of Nadur comprised the supply, delivery and levelling of soil to the quarry, formation of footpaths, construction of rubble walls and other ancillary facilities. The departmental tender published for landscaping and maintenance works, amounting to €38,345, was reviewed by the NAO.*

#### **Permit not in hand**

*An application for a MEPA (Malta Environment and Planning Authority) permit for the construction of ancillary facilities on an existing committed footprint, as well as the installation of signage, was made in January 2014. The approval target date of this application was set for 15 December 2014<sup>3</sup>. However, audit fieldwork revealed that on 19 September 2014, the EGRD proceeded with the respective tender. This situation could have easily triggered a number of variations to the original tender from the outset.*

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<sup>3</sup> Permit was issued in September 2015.

*This Office recommended that tenders, which are dependent on MEPA permits, are not issued until the latter are duly approved. Advance planning, particularly in cases involving the processing of MEPA permits was to be undertaken, in view of the timeframes which may be involved.*

### **Developments: Fully Implemented**

The project has been completed but was not officially inaugurated. According to Management, it is waiting for an upgrade of the road leading to the area prior to the inauguration.

Prior to issuing any tender and/or call for quotation for works and/or services, the EGRD is now ensuring that the respective MEPA permit(s), if any, are in hand, and the approved method statement is being attached to the tender document, where applicable.

The NAO confirmed that in August 2018, the Directorate obtained approval for the necessary MEPA permits for the construction of rubble walls and the cleaning of a valley basin in Żebbug; yet the related tenders and/or call for quotations, for the necessary works were not yet procured by November of the same year.

### **Conclusion**

Although efforts have been made by the EGRD to implement a number of recommendations presented in the 2014 Annual Audit Report, certain issues still prevail. These pending issues are to be addressed without further delay, thus ensuring higher compliance, as well as enhanced efficiency within the EGRD.

# Electoral Office

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## Background

The National Audit Office (NAO) published a write-up on the audit at the Electoral Office (EO) in the Report by the Auditor General – Public Accounts 2013 (AAR). The objective of this audit was to assess the level of existing internal controls over the procurement and payment of expenditure incurred by the EO, 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 EO has acted upon the recommendations raised by the NAO. Management comments submitted by the EO in respect of the 2013 audit were also referred to.

A number of meetings were held with the respective officials and evidence was requested to support assertions made. Findings and recommendations proposed by the NAO as featured in the 2013 AAR are reproduced in grey text. Developments pertaining to each issue follow.

## Key Issues

### ***Payments approved by the Electoral Commission Board in relation to Laminating, Cutting and Checking Exercise***

#### Background

*In preparation for the General and Local Council Elections, electoral and other 'on loan' staff performed a laminating, cutting and checking exercise of the voting documents. Two shifts were required, consisting of six hours and a half each. The Electoral Commission (EC) granted a fixed amount to each officer who participated in this exercise, with the total amount paid by the EC amounting to €65,700.*

#### **Extra Payments paid to Officials for performing Election Duties during Office Hours**

*A total of 31 electoral and 7 non-electoral employees who worked the morning shift, irrespective of their grade, were remunerated an aggregate amount of €32,914 in addition to their normal salary, even though work was carried out during their normal office hours. It also transpired that nine of the electoral officers who worked during the said morning shift were also on duty for the afternoon or evening shift and were thus each compensated double the fixed sum.*

#### **Hourly Rate paid exceeding Overtime Rate**

*Officers who worked outside office hours were paid an average hourly rate of €19.78, such rate being well above the maximum overtime pay of Salary Scale 10 as stipulated in the Public Service Management Code (PSMC).*

*According to the Collective Agreement for Employees in the Public Service, the equivalent of this maximum overtime rate payable during 2013 was to be capped at €13.78 per hour.*

*Management should be concerned about the considerable amounts paid to the respective individuals who performed election duties during their normal office hours. The EO staff are expected to be remunerated for extra hours performed at the applicable overtime rate, according to their respective pay point and scale. In addition, the EO is to ensure compliance with working time regulations.*

*The EC is encouraged to draw up a strategic work plan prior to such large-scale exercises, clearly indicating the duties for each employee and the necessity of any reserves. These plans will facilitate the identification of any anomalies at planning stage and minimise related expenses from public funds.*

### **Developments: Fully Implemented**

The EO confirmed that no tasks were carried out in respect of laminating, cutting and checking of voting documents during the General Elections of 2017, and therefore no related payments were made.

A plan was prepared prior to the last general election and endorsed by Senior Management in order to budget for the total hours required by each employee on related tasks, taking into consideration their respective rest periods. According to Management, officers who were on duty after office hours were paid at the applicable overtime rate.

### **Other Lump Sums paid during Office Hours**

*In addition to the lump sums paid for the laminating, cutting and checking exercise, another amount of €16,708 was approved and paid by the EC to electoral staff for participating in election related duties performed during normal office hours. Such instances lead to excessive expenditure paid out of the public funds.*

*The NAO reiterates that Management ought to be more apprehensive about the substantial extra amounts paid to the employees who performed election duties during their normal office hours.*

### **Developments: Partly Implemented**

Overtime hours for work performed before and after the election day in 2017 were paid at the normal overtime rate. However, all the EO members of staff still received one lump sum ranging from €250 to €350, for the work performed on election day, while Senior Management and Head of Sections received a lump sum ranging from €1,000 to €1,500 as a compensation for the extra hours worked.

### **No evidence substantiating Payment for Disturbance Allowance**

*During 2013, a total payment of €5,295 was approved as disturbance allowance to individuals who were involved in the distribution of voting documents of the General and Local Council Elections. Subsequently, Senior Management reconsidered to grant a reduced distribution allowance of €100 each to another 12 employees. It also transpired that three of these officers received in aggregate an additional amount of €1,108.*

*The NAO could not justify the reduced disturbance allowance compensated to these employees from public funds, nearly two months after the event, since their actual involvement in the distribution of votes is unclear.*

*The NAO reiterates that employees are expected to be invariably remunerated according to the prevailing Collective Agreement for Employees in the Public Service.*

### **Developments: Fully Implemented**

During this follow-up audit it was noted that no disturbance allowance was paid to the EO employees during the general elections in Malta in 2017. This was confirmed from a review of the respective payroll records.

### **Overtime carried out at the Valletta Electoral Office, Naxxar Counting Hall and Qormi Stores**

#### **Considerable Amount of Overtime performed by Electoral Staff**

*Whilst reviewing a sample of salaries paid to 14 electoral employees, it transpired that total overtime earned by the latter amounted to €118,050. Due to the shortcomings encountered, one can conclude that this substantial amount of overtime approved and paid to electoral officers is the result of poor control environment and lack of scrutiny by Management in this area.*

#### **Non-compliance with Attendance Verification Systems' Policy and Guidelines**

*Clocking devices at the Valletta Office were implemented and used to record attendances during normal office hours. However, testing revealed that during 2013, employees did not make use of such devices to record actual overtime performed on location, with the risk that officers may intentionally record incorrect clocking to overstate their claim for overtime. In the absence of similar devices, manual attendance sheets were also used at the Naxxar Counting Hall and Qormi Stores, by both electoral and non-electoral staff.*

*Management is to consider other more cost-effective ways in carrying out duties related to the elections, bearing in mind that, as required by the PSMC, overtime work should be resorted to only in exceptional circumstances. To this effect, periodic reviews of overtime work should be made with the aim of changing or adapting work patterns, in order to economise on overtime and increase productivity by other means.*

*Full use of the automated system should be made to enable maintenance of efficient records for overtime, eliminate manual record keeping on attendance sheets, and simplify payroll calculations, besides dealing with the risk of abuse. This also applies for overtime performed outside the office premises, whereby Management is encouraged to immediately introduce appropriate devices for such workers.*

*Whilst emphasising that work performed outside office hours is expected to be remunerated according to the PSMC, Management is to ensure that overtime claims are accurate, by implementing a common policy that is applied consistently and without exceptions.*

### **Developments: Partly Implemented**

The EO confirmed that overtime is now being requested formally, based upon the plan of work, which is prepared ahead of an election period. Such overtime is subject to approval by the Director Operations and according to work exigencies. A copy of a formal request approved by the Chief Electoral Commissioner (CEC) was forwarded to the NAO for verification. A new clocking system was also adopted.

Meanwhile, up to the 2017 elections, related work at the Naxxar Hall was still being registered manually through attendance sheets.

According to the EO, every effort is being made to introduce new attendance verification systems at the Naxxar Counting Hall. However, it was not possible to implement this during the last European Parliament and Local Council Elections held in May 2019, given that most of the focus and effort was on the newly introduced electronic counting solution.

## Control Issues

### **Imprudent Expenditure on Dinners**

*A payment of €4,251 was made for various dinners at a local restaurant during the General and Local Council Elections. This transaction was made up of nine bills, consisting of €3,451 for food and drinks, including €60 for tips, and an additional charge of €800. The latter amount pertained to stand-by time on 8 and 9 March 2013, when although booked, no one showed up for dinner. Moreover, an amount of not less than €527 was paid for liquors and wine consumed during meals. The NAO opines that this type of expenditure constitutes an imprudent use of the taxpayers' money.*

*The EC is to strive to avoid any unnecessary costs and extravagance in the use of public resources.*

### **Developments: Fully Implemented**

Meals to Senior Management are provided internally by a member of staff and paid for by the EO. Copies of invoices for lunches and dinners, as well as correspondence pertaining to the number of vouchers issued during the last elections was provided for audit purposes. On the other hand, non-electoral staff are provided with a two-euro token per day.

### **Lack of substantiating Evidence for Meals provided**

*An amount of €34,187 was paid to the Police Department by means of a Transfer Schedule of Payment in relation to meals served to police personnel while performing duties during the General and Local Council Elections in Malta and Gozo. Two suppliers provided such meals; the one in Malta being paid the sum of €33,564 whilst the other supplier in Gozo was paid €623. A detailed breakdown of the amounts paid was not available and upon enquiry by the NAO, a scanned copy of the fiscal receipts was obtained by the EO from the Police Department.*

*Moreover, no formal arrangements with the Police Department were traced by the NAO in relation to such meals provided by the EC. The lack of supporting documentation further indicates that no controls were in place to ensure that the EC was only charged for meals consumed.*

*Appropriate measures have to be taken to enable more transparency in the service being provided. Any decisions taken, including the possibility of issuing an expression of interest, are to be made during the planning phase of the elections, with the main aim of utilising public funds in the most efficient way, whilst providing equal opportunity to all interested parties.*

### **Developments: Insignificant Progress**

During the 2017 elections, the situation regarding meals provided to the Police Department remained unchanged since during the election period, the costs of meals were all absorbed by the EO. According to the latter, the CEC is currently working on an agreement with the Police Department to establish the exact number of working hours required by the Police staff, which is also expected to substantially reduce the amount of meals required and respective cost.

As stated by the EO, the introduction of the electronic counting in May 2019 served to reduce significantly the number of hours spent by police personnel at the Naxxar Counting Hall, resulting in savings on the overall costs incurred during the counting process.

### **No Proper recordkeeping of Inventory Items purchased**

*The NAO noted that control procedures over inventory items is weak, especially where such items are handed over to other parties for usage and/or storage purposes. Unless records are regularly updated, control over Government-owned property may be easily lost.*

*The Commission is expected to compile detailed records of its inventory items located at the Naxxar Counting Hall to exercise proper control on such items, especially since the premises in Naxxar may no longer be available after the contract expires. Furthermore, considering the substantial costs involved in the setting up of voting locations, proper control on items purchased can only be exercised through an adequate inventory database, to minimise the possibility of theft and safeguard the Commission's interests. It is therefore being emphasised that the EC is to ensure transparency throughout the whole procurement process.*

*As per MF Circular No. 14/99 – 'Government Accrual Accounting: Revised Inventory Control Regulations' a list of all inventory items is to be maintained by the officer in charge of inventory, in respect of each room, section, stores, or any other outstation. Likewise, room lists are to be maintained and updated accordingly.*

### **Developments: Partly Implemented**

Inventory additions following the 2013 audit were recorded in the inventory register. However, updating of the old inventory items prior to this period is still in process. Procedures for inventory items to be transferred to various Government Departments following the last elections were supervised by a Board of Survey responsible for such inventory movements. The EO asserted that every effort will be made in the coming months to address this situation.

### **Lack of Segregation of Duties**

*An officer at the Procurement Section had a fundamental role in the setting-up of various locations during the elections, including necessary arrangements with related suppliers up to the Local Purchase Order phase of the procurement process. In fact, being an authorised signatory, this officer was also responsible for the control of departmental expenditure and was the sole officer in charge of inventory at the EO. Moreover, the officer performed various duties at the Qormi Stores throughout the year. Due to lack of segregation of duties, effective internal controls were very limited.*

*While appreciating the complex process of the elections, the EO is encouraged to step up internal controls and address the issue of lack of segregation of duties. This will ensure a more transparent procurement process especially with regard to the preparation of off-site locations prior to elections.*

### **Developments: Fully Implemented**

Local Purchase Orders for acquisitions in connection with the EO and the Naxxar Hall are raised formally and submitted to the Director Operations, also endorsed by the CEC, following the acquisition of three quotations. With respect to the Naxxar Hall, a designated person is entrusted by the EO to take care of the building all year round. However, this individual still needs prior approval from the EO in case of purchase or disposal of inventory.

### **Other Developments**

A significant initiative undertaken in 2014 was an operational review by the Management Efficiency Unit, which included 16 recommendations in its report. These proposals related to the streamline of processes, the update of related mechanisms, and to extend the operational effectiveness in the registration, transfer and cancellation of voters, including administrative work for the running of elections. A number of recommendations were

taken on board immediately, but there were others that required the input of the political parties and other third parties; thus rendering implementation very difficult.

Following the green light from the EC and the Public Administration Human Resources Office, in June 2014, the EO carried out a staff restructuring and capacity building exercise to establish a middle management structure, which was lacking. The process of creating a number of new positions was taken up in earnest but the staff structure still needs further modifications to reflect the new workflow methodology.

A number of commitment forms, amongst other details indicating the duties and responsibilities, were created for several categories of temporary staff to be endorsed by non-electoral employees involved during the election period.

Several meetings were also held with the Inland Revenue Department to determine the best method to deduct withholding tax from the payment for services rendered during the election.

## **Conclusion**

It is evident that considerable effort was devoted by the EO to address the shortcomings highlighted in the 2013 AAR. However, a number of recommendations are still to be implemented. In this regard, the EO is encouraged to address the pending issues as soon as possible, to ensure higher compliance, as well as enhanced efficiency.

# Enhancement of Public Areas

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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 that falls within its remit.

The National Audit Office (NAO) published a report entitled 'Enhancement of Public Areas – Capital Expenditure' incurred by the then Ministry for Transport and Infrastructure (MTI) in the Report by the Auditor General – Public Accounts 2013<sup>1</sup>. The main objective of the audit was to ensure that capital expenditure was appropriately recorded and processed according to the General Financial Regulations, 1966 and other pertinent regulations and circulars.

## Audit Scope and Methodology

The scope of this follow-up audit was to verify whether Management had implemented the recommendations put forward by the NAO subsequent to the Audit Report in question.

The MTIP was requested to provide a list of payments effected from Capital Vote XV Line Item 7044 in relation to the enhancement of public areas during 2018. A total of €414,251 was paid as at date of the follow-up<sup>2</sup>.

Given that the projects audited during 2013 were concluded, the NAO referred to a number of other projects carried out in 2018, in order to assess the Ministry's developments on the key findings reported upon in the Annual Audit Report (AAR). The selection was based on the nature of the projects and materiality. Projects tested during this follow-up were related to the:

- period contract for Landscaping and Irrigation Systems Maintenance in an Environmentally Friendly Manner at Dock 1 and Xatt ir-Riżq, Cospicua;
- installation of an Intermediate Metal Floor at Regatta Club Cospicua;
- ground Investigation at a Site in Triq Ġanni Darmanin and at an existing Reservoir in Triq il-Konvoj Santa Marija, Mqabba;
- repairs of the Protective Net at Għar Lapsi West Coast, Siġġiewi;
- ground Investigation in Triq tas-Sally Port, Vittoriosa; and
- replacement of Damaged Water Feature in the Fountain at Cospicua.

An initial meeting was held with the respective officials, whereby the NAO was informed of any developments and new measures taken by the Ministry vis-à-vis the NAO's findings featuring in the AAR. Vetting of supporting documentation substantiating Management claims were also undertaken.

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

<sup>2</sup> Information was obtained from the Ministry as at 9 October 2018. The Financial Estimates for the line item under review indicated an approved budget of €1,000,000 for financial year 2018, while actual expenditure as per the Departmental Accounting System as at end December of the same year amounted to €909,440.

For reference purposes, extracts of the main findings and respective recommendations that featured in the AAR are shown in grey text below.

## Key Issue

### **No Departmental Call for Tenders issued for Procurement of Consultancy and Project Management Services**

*The Service Contract Agreement, entered into between the MTI and an Architect, for the provision of consultancy services during 2013, covered a period of 12 months and was for the equivalent of €60,000 exclusive of Value Added Tax (VAT). No departmental call for tenders was issued in respect of these services as, according to the Ministry, the incoming administration wanted to ensure that no European Union funds earmarked for the Cospicua Dock No. 1 Project would be lost. Instead, the Architect was engaged directly from the open market, by means of the Ministry for Finance (MFIN) approval.*

*Similarly, no departmental call for tenders was issued prior to procuring professional services of a Project Manager. The respective agreement covered a period of 35 weeks, at a retainer fee of €600 (VAT excl.) per week, thus leading to a total contract value of €21,000 (VAT excl.). These project management services were procured following a direct order approval obtained the day following the commencement date of the agreement.*

*This Office recommended that procurement regulations are to be invariably followed in order to ensure transparency, as well as to provide equal opportunity to all interested parties, and obtain the most competitive prices for goods and services. The Ministry is to ensure that direct order approvals are resorted to only in exceptional circumstances, as specified in MFIN Circular No. 3/2013 – ‘Public Procurement Regulations – Direct Orders’.*

### **Developments: Fully Implemented**

The MTIP confirmed that such service providers were no longer engaged by the Ministry.

A Ministerial Procurement Unit (MPU) has since been established under the Office of the Permanent Secretary within the MTIP in line with Article 79 of the Public Procurement Regulations, 2016. In August 2018, the Ministry also issued Memo 17/2018 ‘Manual of Procedures – Working Relations and Responsibilities between the MPU and Contracting Authorities falling within the remit of the Ministry’. Primarily, the MPU is responsible to process, publish, administer and recommend the award of a Call for Tenders announced under the open procedure, where the estimated value of the Call for Tenders exceeds €10,000 but does not exceed €250,000 for Contracting Authorities listed under Schedule 16.

The MTIP also issued an internal memo in February 2017, emphasising that direct contract agreements should be reverted to only in exceptional circumstances.

The NAO confirmed that the procurement regulations were followed for purchases related to the sampled projects and the respective direct order approvals obtained were justified, as well as obtained in a timely manner.

## Control Issues

### **Engagement of Contractor not covered by a Formal Agreement and a Performance Guarantee**

*No agreement was entered into between the MTI and the foreign company entrusted to carry out stabilisation works to the dangerous rock formation at the West Cove area at Għar Lapsi. Although both the contract price of €146,550 (VAT excl.) and the completion period for the required works were communicated to the contractor through the Letter of Acceptance, this document was not endorsed by the latter. Details on the terms*

*of engagement, such as applicable penalties in case of non-satisfactory works or delay in delivery, were also not formalised and agreed upon by the contracting parties. Furthermore, the MTI failed to request the contractor to submit a performance guarantee, intended to protect the Ministry's interests in case the obligations under the agreement for works were not duly performed.*

*While the MTI justified the absence of a performance guarantee by claiming that payments are only carried out on satisfactory completion of works, an interim payment of €52,345 (equivalent to 36% of the actual contract cost) was issued.*

*All services purchased by the MTI are to be duly backed by signed agreements between the parties involved and supported by performance guarantees, where applicable. Moreover, the conditions of service, the duration of the contract, as well as applicable penalties in case of default, are to be clearly spelled out in the agreement. Management was also recommended to retain both contracts and performance guarantees for future reference.*

### **Developments: Partly Implemented**

Through a memo issued in April 2017, the Office of the Director General Support Services reminded its officials that the Ministry shall not effect any payments to the contractor until the respective guarantee has been submitted.

However, testing carried out by the NAO revealed that the Repairs of the Protective Net at Għar Lapsi West Coast, done by two different service providers selected by the MTIP following direct order approvals from the MFIN, were not covered by formal agreements and the performance guarantees as required in the respective letters of notification to start works. Moreover, no formal letters of acceptance, which should have been issued once the performance guarantees had to be provided to the MTIP, were traced in the respective file.

The MTIP claimed that contracts given by direct order would have to be delayed should a contract need to be drafted.

Furthermore, the NAO was informed that due to the urgent works required as well as health and safety concerns, the Permanent Secretary's approval was obtained to waive the requirement of a performance guarantee for the two direct orders in question.

The NAO satisfactorily confirmed that the engagement of another three sampled contractors were covered by a formal agreement and where applicable by a performance guarantee.

### **Payment for Variations prior to obtaining Approval**

*The payment claim of €21,145 in respect of works carried out on the water feature in the dunes area at the Cottonera Dock No. 1 Project included a charge for quantities that were not included in the original Bill of Quantity. The MTI effected the respective payment, in spite of the fact that the approval for this variation was not yet obtained. Although the amount in question was not material, similar practices of meeting contractors' claims for payment for unapproved quantities could result in control over the project cost being lost.*

*This Office recommended that material purchased or works carried out that were not included in the original tender document are to be duly authorised prior to being procured or executed by the contractor.*

### **Developments: Fully Implemented**

According to the MTIP officials, the respective project file is now being sent to the Contracts and Procurement Section (CPS) to verify the variation. Following authorisation from the Permanent Secretary, an Addendum to the Contract is made and the value of the committed funds is amended accordingly.

The Finance Section will not process a payment for variations unless this has been properly authorised from the right level of authority. Controls include checks by the CPS and the Finance Section as well as approval of the Permanent Secretary. As from mid-2018, the MPU is also carrying out further verification.

Tender templates, policy notes and related procurement documents, including the Variation and Extension Form, were revised accordingly.

The NAO satisfactorily noted that all payments for variations checked during the follow-up were duly authorised prior to works being executed by the contractor.

### **Expired Performance Guarantee**

*The one-year performance guarantee submitted by the selected bidder following the adjudication of the tender for the water feature expired before the project was in fact completed. No renewal of this guarantee was traced to the respective file.*

*Whilst selected bidders are to be requested to duly submit performance guarantees as and when required, these guarantees are to cover the entire contract period. If this period elapsed and works were still in progress, extensions to the guarantees are to be requested from the respective contractors as necessary.*

### **Developments: Fully Implemented**

According to the MTIP, no further payments are being made until a valid performance guarantee is in place. The validity period is now also being monitored, the progress of the respective works is being checked before a guarantee elapses, and where required the respective bank is contacted to renew the performance guarantee.

In addition, a Contract Performance Assessment is now being raised before the final payments are processed and the guarantee can be released.

Testing of the projects as detailed in the methodology did not reveal any cases of expired performance guarantees.

### **Error in Tender Document leading to Variation**

*Approval for a variation of €6,160 in relation to the construction of a Water Culvert, equivalent to 9.43% of the original contract value, was requested only four days after the issue of the formal Order to Start Works. This variation was attributed to a typing error in the tender document.*

*The tender document is to be thoroughly reviewed prior to being issued, to avoid, as much as possible, having to effect changes after it has been awarded.*

### **Developments: Fully Implemented**

The Manual of Procedures issued by the MPU in 2018 aims to ensure a smooth and efficient transition throughout the entire procurement process. It serves as a guidance document to all personnel administering calls for tenders under the open procedure.

During testing of the selected projects, the NAO satisfactorily noted that there were no issues in this regard.

### **Unreliable Estimates prepared by the Ministry for Transport and Infrastructure**

*The actual contract value of eight agreements for the provision of contractual services, and for which an estimate was prepared by the MTI prior to the issue of tender or quotation, differed from the projected cost.*

*These variances ranged from a 244% increase over the MTI's estimate, to a contract value of 30% less than the projected cost. Underestimation of projected costs could result in a strain on the financial position of the Ministry during the year, possibly disrupting the execution of other scheduled projects.*

*Prior to establishing project estimates, detailed research is to be carried out by the MTI to approximate the contract value, thus ensuring the efficient use of public funds.*

### **Developments: Fully Implemented**

In respect of the projects tested, where applicable, an appropriate estimate was included in the Tender Originators Form and endorsed by the responsible officers. In addition, contracts were raised and payments effected accordingly.

### **Differences between Contract Values and Actual Payments**

*Apart from one case where the actual total payments exceeded the original contract value by 158%, in the remaining seven sampled agreements, the MTI experienced positive variations. These savings on contract costs ranged up to over 30%. Reasons for such variations included works forming part of the original tender eventually carried out by the Manufacturing Services Directorate, amounts included in tender document for contingency purposes not utilised, differences in quantities and types of materials used, as well as errors in calculations and inexact estimates.*

*Amounts paid for goods and services are to compare, as much as possible, to the cost agreed upon in the respective contract. In addition, project planning is to be given the required importance to reduce the occurrence of significant variations and inefficient utilisation of public funds.*

### **Developments: Fully Implemented**

Reports related to budget measures, electoral manifesto implementation and simplification measures are now being submitted periodically to the Office of the Prime Minister. Moreover, European Union (EU) funded projects are monitored through bilateral meetings attended by the Permanent Secretary. According to Ministry officials, the Financial and Budgetary Monitoring and Advisory Board was set up as a measure of control over expenditure.

### **Delays in Completion of Works**

*Contractual services provided through seven out of the nine agreements selected in the audit sample were not concluded within the stipulated timeframe. Delays ranged from less than one week to 54 weeks.*

*Except for two cases, where the call for quotations and tender document did not include clauses for delays in performance, no penalties in respect of late completion were charged to the respective contractors. According to the MTI, in the remaining five cases, the late delivery was justifiable and therefore, the penalty clause included in the tender document was not applied.*

*Notwithstanding this, none of the above-mentioned contracts was formally extended to cover the prolonged contract period.*

*Whilst contract periods are to be adhered to as much as possible, penalties detailed in the respective tender document are to be charged whenever delays in completion of works are not justifiable. The MTI is also recommended to ensure that all tender documents included clauses specifically outlining the applicable penalties when the stipulated target dates are not reached.*

*Furthermore, extensions to contracts are to be agreed upon by the contracting parties and duly documented.*

**Developments: Fully implemented**

Following NAO's recommendations, the MTIP Project Design and Engineering Directorate forwarded instructions to its officers to levy penalties against contractors for delays. Penalties can only be waived if an extension to the original contract has been requested and approved.

This Office did not encounter any delays in completion of works during this follow-up.

**Late Communication of 'Order to Start Works'**

*Out of the nine agreements relating to the provision of contractual services, three instances were noted whereby the respective contractor was formally notified of the date of commencement of works, after such date had already elapsed.*

*The MTI is recommended to ensure that a formal 'Order to Start Works' is timely issued for all agreements for contractual services.*

**Developments: Fully implemented**

The MTIP indicated that as from year 2018, agreements include a clause whereby the contract shall take effect on the date on which it is signed by the last party. This inclusion was verified during the review of a contract pertaining to one project entered into towards the end of 2018.

**Minister's Approval not traced**

*Requests for Minister's approval in respect of expenditure on goods, works and services were raised by the MTI prior to issuing two tenders for paving works on the dunes area at the Cottonera Dock No. 1 Project, estimated at €119,923 and €70,088, respectively. However, both requests traced in the Ministerial file featured up to the Permanent Secretary's signature, but both lacked the Minister's signature. The absence of the latter endorsement implies that the intended appropriate authorisation for the respective expenditure was not obtained.*

*All requests raised prior to procuring goods and services are to be approved by the appropriate level of authority, and all documentation retained for future reference.*

**Developments: Fully implemented**

Through a memo issued in 2018 issue by the MTIP, the attention of the Heads of Contracting Authorities falling under the remit of the Ministry was drawn regarding the Manual of Procedures covering procurement requirements. Projects reviewed were duly approved by the appropriate level of authority prior to the respective procurement.

**Conclusion**

The NAO satisfactorily noted that the majority of shortcomings reported in the 2013 AAR were adequately addressed by the MTIP. Continuous monitoring and enforcement of implemented measures will ensure that public funds are appropriately utilised.

# Free Childcare Scheme

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## Background

The Free Childcare Scheme (FCS) was a measure introduced by Government in April 2014, aimed at facilitating women's return to employment by providing children aged between three months and three years with good quality childcare. Up to 2015, the scheme was administered manually. However, following a public call for tender, as from January 2016, a fully automated system referred to as the Childcare Information System (CIS) was implemented.

The National Audit Office (NAO) published a write-up on the FCS in the Report by the Auditor General – Public Accounts 2015. The aim of the audit<sup>1</sup> was to assess the level of internal controls prevailing in the implementation of the scheme, and to determine whether day-to-day operations reflected efficient administration of public funds, in line with standing regulations. Another objective of the audit was to obtain reasonable assurance that payments effected were accurate, duly covered by supporting documentation enabling verification, and in line with the set terms and conditions.

During the follow-up audit, as at 3 April 2019, there were 136 (2015: 83) participating childcare centres, with more than 6,300 children (2015: 2,700) benefiting from the scheme.

## Audit Scope and Methodology

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

An introductory meeting was held with Management from the Ministry for Education and Employment (MEDE) in order to obtain an update on the corrective actions taken. Subsequently a set of questions were prepared following which the relative Management replies and the supporting documentation provided were analysed to verify the extent of the implementation progress, as well as its effectiveness. Additionally, six childcare centres were selected from the central catchment area and through onsite visits an overview of procedures was obtained, in order to establish the controls in place and corroborate the replies.

For reference purposes, findings and respective recommendations that featured in the 2015 Report, are shown in grey text below.

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<sup>1</sup> The original audit covered financial year 2015 and also the first four months of 2016.

## Key Issues

### **Inadequate Internal Controls**

*Testing carried out revealed that the MEDE was relying completely on information provided by the childcare centres and payments were issued solely based on such information, without having in place effective safeguards. The weak control environment was also evident in the absence of communication between the MEDE and the Department for Social Welfare Standards (DSWS), the latter being the responsible regulatory body, whose functions include the issuance of the compliance certificates to the childcare centres. Another area evidencing lack of control was the non-observance of the pre-established terms and conditions.*

*In order to be effective and promote operational efficiency, controls are to be embedded in the operations and form part of the overall culture. It is thus recommended that a proper assessment is undertaken, wherein the current processes and procedures in place are reviewed in detail in order to identify potential risks and take the appropriate measures in a timely manner. Moreover, to remain valid over time, such measures have to be reviewed on a regular basis.*

### **Developments: Fully Implemented**

The centres are now being closely monitored by the MEDE and the necessary checks are performed if there is any suspicion of wrongdoing. Additionally, record of the children present is taken during the unannounced spot checks<sup>2</sup> by the Ministry and names are matched against the CIS fob records. The NAO reviewed the latest FCS site visit checklists, in respect of the six childcare centres sampled. It was noted that in one case, the CIS sheet had two children registered which were not listed on the attendance sheet yet a child not enrolled in the FCS was included in the latter. According to the FCS office, these were administrative errors.

Each child's attendance is still recorded by means of the fobbing system, whereby parents fob in and out at drop-off and pick-up. All fob scans are digitally registered through the CIS giving audit trail of such records. The payments due to the childcare centres are automatically calculated by the system.

Since June 2016, the Directorate for Quality Standards and Education within the MEDE took over the responsibility of regulatory body from the DSWS. The NAO was informed that initially a childcare centre is temporarily registered subject to a positive assessment based on the first three of the ten National Standards for Child Day Care Facilities<sup>3</sup> and upon the satisfactory review of a policies and procedures manual developed by the respective childcare centre. To subsequently attain a provisional registration, which is of a more permanent nature, the centre must meet all the requirements of the ten National Standards within a period of six months. A childcare centre may revert from 'provisional' to 'temporary' registration, if compliance with the ten Standards deteriorates. All six childcare centres visited were issued with a provisional registration certificate valid until 31 December 2019.

### **Lack of Human Resources**

*Despite the magnitude of the scheme, with an average of 83 childcare centres and 2,700 children per month, in 2015, only one officer was dedicated full-time to the management of the childcare system, with the other two having other duties, in addition to those related to the scheme.*

*Lack of human resources in the early implementation stages of such a challenging project may have long-term consequences upon its overall effectiveness and sustainability. Thus, given the significant funds involved, it is*

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<sup>2</sup> Approximately five childcare centres are visited on a weekly basis.

<sup>3</sup> Issued in July 2006.

*recommended that adequate human resources are allocated to manage the scheme in order to strengthen the internal control structure.*

**Developments: Fully Implemented**

The staff assigned to the scheme presently comprises a departmental manager, two full-time senior clerks and two other members of staff who have monitoring and inspection duties.

**Full Reliance on Information provided by Service Providers**

**Applications**

*Regular instances were encountered where the number of hours of childcare required were either recorded on the application by the childcare centres' representatives themselves or amended by the latter. Independent confirmation was not obtained from the parents about the actual number of hours required.*

*The MEDE needs to regain control of the system without being too bureaucratic. Thus, one may consider requesting parents to submit both the application, as well as changes to booked hours, directly to the Ministry. Following the latter's approval, communication can then be made with the respective centre.*

**Developments: Fully Implemented**

Once an application is approved, the FCS office notifies parents of the number of booked hours and advises them to contact the office should they disagree with the figure indicated, in order to effect amendments, as necessary. Furthermore, parents have to notify the childcare centres of the number of booked hours required for the following month, at least one week prior to the deadline stipulated by the FCS office. Additionally, parents can keep track of booked hours and actual attendance online.

**Changes to Booked Hours**

*As from January 2016, an online change request started being generated by the centres. However, still no other evidence was available to confirm that such demands were actually emanating from the parents.*

*A standard Change Request Form could be drawn up, which may be either downloaded, available on the e-id portal, or collected in hard copy from the childcare centres or the MEDE.*

**Developments: Fully Implemented**

According to the childcare centres visited, a change of booked hours request can be done by the parents once monthly and must be submitted by the specified deadline. Each time the FCS office approves a change request, the parents are automatically notified by email or mobile text message and if in disagreement, are to contact the foregoing.

**Terminations and Temporary Breaks**

*According to the terms and conditions, service providers will not be paid for days for which parents advise at least one month in advance that they will not be making use of the service. However, the parents inform just the centres of such intention. Thus, the MEDE will only stop the payment if the centres relay the message.*

*Similarly, the Ministry is not informed directly by the parents in case of early termination, but the notification is received from the service provider. Furthermore, there is no supporting documentation to corroborate such*

occurrence in order to ensure that the respective payments are correct. Should the centres fail to inform the MEDE, payments will still be issued.

In order to ascertain effective use of public funds, regular checks and inspections are imperative to ensure that controls are functioning as intended, the system is not being abused of, and records provided by the centres are reliable. The outcome of such checks is to be documented. A sample of parents may also be selected randomly on a regular basis to confirm the child's attendance for the respective month.

### **Developments: Partly Implemented**

During the onsite visits, it was established that with regard to temporary breaks and/or terminations, in their majority, it is still the childcare centres that relay the message to the FCS office or change the hours on the CIS. At times, the childcare centres may fail to do this; however, the FCS maintained that when the 25% absence allowance is exhausted the FCS office pays the centres for the actual number of attended hours only. In cases when a child stops attending without the attendance being terminated, an exercise referred to as the Zero Attendance Exercise is carried out by the FCS office. In the event that, excess funds are paid to the childcare centre, the FCS recoups by deducting the amount from the childcare centre's monthly payment.

### **Transfers**

From the sample reviewed, it transpired that for the period November 2015 to January 2016, a childcare centre was paid by the MEDE the total sum of €2,534 for two siblings who were, during the same period, being recorded as present at two different centres. Hence, the Ministry was paying both centres for the same children and for the same period.

Another centre was also paid the total amount of €4,380 over the period July to December 2015, in respect of two separate children who were recorded with two different childcare centres during the period in question.

This resulted in inflated payments since the MEDE was relying completely on the records provided by the centres.

Regular checks and inspections are imperative to ensure that controls are functioning as intended and the records provided by the centres are reliable.

### **Developments: Fully Implemented**

The NAO was informed that there may be cases where children are attending two different childcare centres on different days due to logistical arrangements to accommodate their parents. However, the MEDE ensures that no double payments are made since each childcare centre is paid according to the child's booked hours or attended hours, in cases where the absence entitlement has been exhausted. Moreover, all booked hours and attendances are recorded through the CIS and may be reviewed at any time.

### **Ineffective Control through the New Fobbing System**

The CIS was specifically custom designed to cater for the particular needs of the FCS. For this reason, childcare centres were provided with a number of key fobs, to hand out two free fobs to the parents of each child. Additional fobs may be acquired by the centres from the MEDE and sold to the parents at cost price. Once a fob is handed out to parents, the centre records its unique number in the CIS.

- a. The only records kept by the MEDE in relation to the extra fobs were the requests by the centres and the respective payments. The NAO could not ascertain that any additional fobs 'in use' were actually requested by the parents and were really being used by them.

- b. Surprise inspections carried out by the NAO at eight childcare centres, revealed that at least in two centres, fobs 'in use' were being kept by the respective centre. However, auditors could not establish whether this fob was one of the two fobs handed to the parents, or any other fob which the centre was keeping. Moreover, it could not be ascertained who was actually using the fobs to record the attendance.*
- c. Extra fobs were being sold to childcare centres at the same price that the MEDE had purchased them. However, despite the intention to have a uniform price set for all centres, the MEDE could not ensure that parents were actually being charged the same price.*
- d. Daily fob scans were only converted into actual attendance records, showing in and out times, when the end-of-month procedure is run. Prior to the said procedure, childcare centres may simulate part of this run and can also amend such records through corresponding manual entries. Although the system provides an audit trail, including the reason for the manual entry, justification for such entries could not be independently verified. Amongst others, reasons for such manual entries included 'forgot to fob' and 'mother didn't know she had to fob'.*

*A reconciliation exercise is to be undertaken to ensure that all fobs already issued are accounted for, including confirmation of receipt from the parents' end. For this reason, it would be ideal that henceforth, fobs are provided directly by the Ministry to the parents.*

*The Ministry may consider the introduction of a Request for Fobs form, to order additional fobs, which shall be submitted by the parents to the MEDE and approved accordingly prior to acquisition. This form is to clearly indicate the number of fobs held by the parents, together with their unique number/s. Furthermore, it is recommended that audit trails are checked regularly.*

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

Parents are continuously being reminded that fobs are to be kept solely by them. Additionally, the MEDE officials carry out unannounced spot checks in all childcare centres, to monitor and ensure that the centres do not retain the devices. With regard to fob sales, all the FCS providers are aware that parents are to be charged the cost price for each extra fob over and above the two that are distributed free of charge.

Childcare centres resort to manual entries on a need basis and justification is provided e.g. 'forgot to fob', 'Christmas Party', 'Christmas Activities' etc. Furthermore, all the CIS entries including manual fob ones, are recorded with proper audit trail.

From the visits to the childcare centres, the NAO confirmed that there was no form to request additional fobs; however, all the childcare centres must send an email to the FCS office within the MEDE in order to request and be granted additional fobs. The centres have a stock of fobs which are activated by the centres upon enrolment and deactivate automatically when the child is of kindergarten age. The fobs register generated on 18 June 2019, showed that with respect to the childcare centres sampled, in their majority (90%), children had two active fobs assigned while the remainder had up to four fobs each.

The management of three out of the six childcare centres sampled advised parents to attach the fobs to the children's bags, to prevent forgetting them. In one case, the manager preferred to do the fobbing herself, in front of the parents, to ensure that this was done properly, claiming that this was to avoid time-consuming manual adjustments prior to the end-of-month run.

### ***Abuse of the System and Tampering of Records by Childcare Centres***

*The system allows centre representatives to mark entries as 'ignored'. This feature was intended to enable them to correct erroneous records arising particularly from multiple scans, mainly due to prolonged contact of the fob with the fob reader.*

*During the sampled period, on 23 instances, 11 centres recorded manual entries, highlighting amongst other reasons that parents forgot to fob. However, such entries were very often followed or preceded by a fob record, eventually leading to one of the entries being marked as 'ignored'.*

*The Ministry is encouraged to enhance the system, ensuring that any record marked as 'ignored', for reasons other than multiple scans within a specified timeframe, is accompanied by a valid justification, and ideally approved by the MEDE after being verified accordingly.*

### **Developments: Partly Implemented**

The FCS office does not check manual entries and adjustments prior to the automated end-of-month run. However, all entries including the foregoing are recorded and audit trailed through the CIS and may be reviewed at any time.

During the onsite visits, five of the six sampled childcare centres informed the NAO that the CIS records were manually amended, mainly because the parents either forget to bring the fob or for some reason fail to fob. The sixth childcare centre does not effect any manual entries and adjustments as its management feels that the parents are entirely responsible to record their child's attendance at the centre.

### **Eligibility Provisions overlooked by the Ministry**

*A main eligibility criterion stipulated in the information leaflet, as well as in the terms and conditions for service users, was that in order to benefit from the service, parents had to be both employed and paying social security contributions. However, there was no system in place to ensure that beneficiaries were actually paying the said contributions.*

*While positively noting that the Ministry was discussing the way forward on this matter, it is recommended that such checks be incorporated in the vetting process of the applications prior to their acceptance.*

### **Developments: Fully Implemented**

For an application for free childcare to be accepted, the parents must now provide a copy of the three latest payslips and a declaration by their employer stating their working hours.

## **Control Issues**

### **No Effective Checks by the Ministry on the Data submitted**

*Shortcomings concerning the reliability of data, and consequently the accuracy of the respective payments, were noted during 2016 after the introduction of the fully automated CIS.*

*A test carried out on the applications for the period January to April 2016 related to the sampled centres involved the checking of the monthly entitlement as recorded in the CIS for January 2016. This was compared against the mother's working hours, as declared in the application. Queries to the MEDE pertaining to the same centre, revealed that, in a number of instances, the entitled number of hours recorded in the system was overstated or the booked hours exceeded the actual entitlement. Furthermore, the mother's working hours were not always specified on the application. In the circumstances, compliance with the applicable formula establishing the entitled hours could not be ensured.*

*A comprehensive assessment was recommended to be carried out to identify the possible risks associated with the scheme. A plan should then be set up to include detailed checks which could be performed on a monthly basis on centres on rotational basis to address those risks.*

### **Developments: Significant Progress**

There is now an online platform to manage the FCS applications which are all submitted through the CIS. Additionally, an officer is entrusted with checking that the working hours of the parent stated on the employer's declaration letter, correspond with the number of hours requested at application stage and if not, the CIS is updated accordingly. Entitlement is automatically calculated on the number of hours worked by the parent with an additional allowance of 10% of the monthly working hours to make up for unforeseen exigencies and an extra 20 hours monthly to cover commuting time.

### **Standing Policy for Payments**

- a. *The standing payment policy as per the applicable terms and conditions is that centres will be paid in full for the booked hours, provided that the absence entitlement is not exhausted. Verifications carried out on attendance recorded by all childcare centres, revealed that during the period between January and April 2016, 60 centres were paid an aggregate total of €90,140, covering 29,554 booked hours, for which the respective children failed to attend, or because they attended a different centre.*
- b. *Twenty-one children, with an aggregate total of 11,910 hours recorded as booked with the centres, of which 75% were booked at a particular centre, did not attend for four consecutive months. Another 20, booking an aggregate of 4,950 hours, 24% of which were also on the records of this particular centre, did not show up for three consecutive months. All these children exhausted their annual absence entitlement without attending the respective centre.*
- c. *The system only stops the payments once the absence entitlement goes down to zero. Thus, where the entitlement balance is almost exhausted, with only a few hours outstanding at the beginning of a particular month, the respective centre is still paid for the full booked hours at the end of the month.*

*It is recommended that if children fail to turn up for a whole month, the MEDE contacts the parents in order to determine their future intentions. A standard form may be circulated for transfers and terminations, for parents to fill in and submit to the MEDE, either through email or post. The latter will then inform the centre of the change and process the respective payments accordingly.*

### **Developments: Partly Implemented**

When a child's absence does not exceed 25% of the time booked with the childcare centre annually, the foregoing is paid the full amount by Government, as originally agreed upon. However, according to standing policy, should a child be absent for more than 25% of the allocated hours, payment for the absence exceeding the established threshold has to be refunded.

The exercise<sup>4</sup> carried out for 2018 revealed that an aggregate amount of €11,325 was to be recouped from different childcare centres. The MEDE confirmed that the amounts were actually deducted from the respective outstanding payments. It was estimated that absenteeism within the allowable threshold in 2018 has cost the Government approximately €5 million for 1,412,382 booked hours.

According to feedback obtained during site visits, the FCS office sends emails to the childcare centres, as well as the parents, when the acceptable absence balance is running low. Parents themselves can also access the CIS records and check the relative balances online as necessary.

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<sup>4</sup> For 2019 it is planned to conduct the attendance exercise twice; in July covering January to June 2019 and in January 2020 covering July to December 2019.

## **No Enforcement of Capacity Restrictions**

*The maximum number of children a centre may accommodate at any point in time is based on the area of the respective property, taking into consideration a space allowance of five square metres per child, as stipulated in the National Standards for Child Day Care Facilities. Testing revealed the following:*

- a. Only 45% registered centres were supported by documentation from the DSWS to confirm the applicable capacity while in the other cases, the certificate issued by the foregoing did not indicate the number of children that the respective centre can hold.*
- b. Discrepancies between the maximum capacity number as indicated by the centres in the applications submitted to the MEDE and the information held by the DSWS.*
- c. Centres may also accommodate children who are not part of the scheme, however no inspections were being carried out by the MEDE to ensure that the centres were respecting the capacity limit. The NAO was informed that this aspect fell under the responsibility of the DSWS.*
- d. During 2015, only 29 visits were carried out by the DSWS, covering 26 out of the 83 centres, as at December 2015. Moreover, only four visits carried out in December were unannounced.*
- e. Independent verifications carried out by the NAO, at eight centres, showed that in four cases, the capacity was in their majority substantially exceeded.*
- f. The National Standards for Child Day Care Facilities, established in 2006, do not provide the DSWS with the legal backing to enforce such standards.*

*Although the DSWS carries out checks to ensure compliance with the national standards, these inspections are not limited to the childcare centres. Thus, in view of the scarce resources at both entities, it is recommended that information concerning the childcare inspections, including the planned visits, is shared between the two entities. Furthermore, it would be ideal if a joint framework of corrective measures is drawn up, backed up by the appropriate legislation.*

## **Developments: Fully Implemented**

Since June 2016, the determination of capacity restrictions became the responsibility of the Accreditation Unit, Directorate for Quality Standards and Education within the MEDE.

By means of onsite visits, the Quality Assurance Department (QAD) within this Directorate verifies that no capacity restrictions are breached and that the actual number of children in the centre is in line with the number of children permitted as per registration certificate. When the on-site visits were carried out by the NAO, none of the six childcare centres exceeded the capacity limit.

Inspections are usually carried out following a request to the centre, to submit updated documentation for consideration as part of the external review. The centre is informed of the week during which this review will take place. Surprise visits are carried out when required at the discretion of the Director, either to follow-up complaints or to verify improvements following the external reviews. During 2018, 126 visits were carried out by the QAD, of which three were unannounced. The remaining 10 childcare centres were inspected for the first time during the first half of 2019 since they were all newly opened during the second half of 2018.

The QAD does not make a distinction between children who are part of the FCS or not since standards are applicable to everyone, irrespective whether children are part of the scheme or otherwise. In the case of persistent defaulters, the first step would be to stop registrations of new children. A further step would be to withdraw the registration.

Furthermore, by virtue of S.L. 327.323 – ‘Registration of Childcare Facilities as Educational Establishments Regulations’, clause 3(2)(b), the National Standards for Child Day Care Facilities (2006) are legally binding for registered centres. Thus, the NAO confirmed that inspections were carried out by the QAD (MEDE) at the sampled childcare centres to ascertain conformity with applicable standards and where lacking, the necessary action was taken.

### **Lack of Awareness by Parents about the Scheme’s Operational Aspect**

*The MEDE published a self-explanatory leaflet regarding the scheme, which is also available online; however, no information sessions were ever held for service-users. Comments on social media and personal encounters during the audit revealed that there was a general lack of awareness amongst parents on how the system actually worked. Although the MEDE tried to address this issue by keeping parents updated through regular mobile messages, as well as providing access to records of attendance, a basic understanding upon registration, together with the importance of the fobs, was still lacking.*

*It is recommended that, on a regular basis, an obligatory information session is held for service-users. Parents are also to be informed that it is their responsibility to fob in and out for their child, and to check correctness of such timings recorded through any of the available media.*

### **Developments: Significant Progress**

The FCS office set up a page on social media and regularly publishes contents related to how it works, with a special emphasis in what parents need to know and do. The foregoing also sends out regular email newsletters directly to parents who are benefitting from free childcare with key information about how the system works and what they should know or do as beneficiaries. To this effect, it also carried out information sessions in collaboration with the Ministry for Health and other organisations, such as the Malta Midwives Association.

### **Conclusion**

The follow-up audit revealed that the majority of the recommendations presented in the 2015 Report were taken on board. Efforts are to be made to address the remaining issues in order to strengthen controls and increase compliance.

# Koperattiva Linen Service Ltd

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## Background

In its Annual Audit Report for 2014, the National Audit Office (NAO) published the outcome of an audit carried out at Koperattiva Linen Service Ltd (KOLS), which mainly focused on assessing the operating effectiveness of internal controls, as well as the reliability of the financial information provided for audit purposes.

The audit had revealed a number of issues, indicating a weak governance structure within the Co-operative under review. The most prevalent issues were the conflict of interest in the Director's role, lack of segregation of duties, the absence of auditor rotation, no proper independent oversight by the Surveillance Board, as well as expenditure records not traced or not supported by adequate documentation.

## 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 the NAO in the 2014 Audit Report.

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

## Control Issues

### *Conflict of Interest*

- a. *As at time of audit, the Director of KOLS was carrying out a dual role, a situation prevailing since the inception of the Co-operative, in 1999. On one hand, in view of his position as Director of the Co-operative, he represented KOLS in the service level agreements entered into with the respective clients; in the majority these being entities falling under the Ministry for Energy and Health. On the other hand, as a result of the position held with the said Ministry, the same individual endorsed the agreements in his capacity as Director within the Health Department (entered into by the latter with KOLS), specifying the conditions related to the setting up and operations of the Co-operative.*
- b. *An account, which was to be administered by the Director on behalf of the Health Department, for the benefit of the latter, was in fact used to finance a significant part of KOLS' expenses. Verifications also revealed that monies payable by KOLS into this account were not being effected in a timely manner.*

*In order to ensure that decisions taken are without bias and made on legitimate reason to safeguard Government's interest, the Ministry was recommended to appoint an autonomous official within the Health Department as Director of KOLS. Furthermore, it was also recommended for the bank account to be administered directly by the Health Department.*

### **Developments: Fully Implemented**

The NAO was informed that, as from 1 April 2015, the then Director within the Health Department, now Consultant Public Health, was divested from his juridical responsibility as Director of KOLS. Consequently, he was no longer authorised to sign any agreements on behalf of the Co-operative, but merely represented the Health Department, to ensure that KOLS was operating within its legal parameters, as well as abiding by all the agreements in place.

The situation above only materialised following the Public Accounts Committee meeting held on 30 May 2016. In fact, on 2 October 2015 as well as on 4 May 2016, the individual in question had signed the service level agreements entered into with the Health Division, as well as the Gozo General Hospital respectively, in the capacity of Director, KOLS.

### **Auditor Independence**

*In addition to statutory audit services, the same firm also provided KOLS with accounting services. Notwithstanding that concerns about the Auditor's independence were raised in July 2003 in a report drawn up by the Internal Audit and Investigations Unit, the recommendation provided therein, mainly either to appoint another Accountant or change the Auditor in question, were not implemented up to date of audit.*

*Management was encouraged to rotate the auditor after a maximum period, which was to be established by the Board.*

### **Developments: Fully Implemented**

Audit reports issued for financial years 2016 and 2017 were endorsed by a representative of a new audit firm, and to-date the accounting work and audit task are being conducted by two separate entities.

### **Lack of Independent Oversight**

*The Co-operative's statute provides for the setting up of a Surveillance Board, whose main aim is to exercise oversight over the Management Committee and other officers involved in the management of KOLS, ensuring that operations are in line with standing provisions and regulations. It is also responsible for examining the Co-operative's accounting records at least monthly, ascertaining that all transactions are duly recorded in the books, and to draw the Management Committee's attention with respect to any identified discrepancies.*

- a. KOLS' statute stipulates that members on the Surveillance Board do not necessarily have to be members of the Co-operative, and shall ideally possess accounting knowledge. Nonetheless, all appointed members, at least for the periods between 2012 and 2015, were members of the Co-operative.*
- b. Members of the Board attend the Management Committee meetings, and thus, one set of minutes, reflecting the outcome of these meetings is prepared. Consequently, the impact of the Surveillance Board, with respect to the monitoring that is expected to be performed, could not be assessed.*

*It was recommended for the Surveillance Board to be composed mainly of independent individuals, who are not members of the Co-operative, and who have the right skills and knowledge to contribute to its success. The Health Department is expected to have the prerogative to appoint the Chairman of this Committee in order to safeguard its interest.*

*Further to the above, it was recommended for meetings of the Surveillance Board to be held separately from those of the Management Committee, enabling any operational shortcomings to be discussed by Board members prior to them being communicated to the Management Committee.*

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

The Surveillance Board is now holding meetings separate from those of the Management Committee. Furthermore, although the said Committee did not endorse the recommendation of independent professionals being appointed on the Surveillance Board, this Office was subsequently informed that, in the near future, the Board will comprise an independent auditor and possibly also a member appointed by the Ministry for Health.

Verifications undertaken also revealed that during 2018 the Surveillance Board only carried out four meetings. Furthermore, the respective minutes did not indicate the time of commencement and adjournment of each meeting whilst also lacked the date when the next meeting was scheduled to be held.

### ***Contributions to the Central Co-operative Fund***

*Despite that the Surplus on Ordinary Activities increased by 28% over the six-year period 2009 to 2014, the 5% contribution due to the Central Co-operative Fund was not being paid in full, resulting in a balance of €266,300 still payable to the Fund in question as at 31 December 2014. This notwithstanding that, over the said six-year period, the Co-operative distributed over €7.5 million as patronage refund to its members.*

*The Co-operative was recommended to give priority to its statutory dues. Only after all such amounts are settled the balance is to be distributed to members as patronage refund.*

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

Statutory dues are now being settled on a regular basis, one year in arrears. As per audited financial statements for 2017, being the final records available when the follow-up audit was concluded, the balance payable in this respect amounted to €171,303 covering contributions due for 2016<sup>1</sup> and 2017.

### ***Patronage Refund***

*A co-operative may, after keeping aside the necessary amount for the relative contributions, distribute the remaining net surplus among its members.*

*In the case of KOLS, the only deduction from the Surplus on Ordinary Activities covers the contribution to the Central Co-operative Fund. During 2014, the average patronage refund share per member, paid in addition to salaries, increased by 21% over a period of six years. When compared to the high amounts distributed, the increase in Accumulated Fund<sup>2</sup> over the period 2009 to 2014 was negligible, increasing by only 0.4%, ending 2014 with a closing balance of €507,220, from €505,109 in 2009.*

*Management was encouraged to review the current strategy in order to ensure that adequate reserves are maintained. Moreover, members were to be duly informed that reserves are necessary for further investments and enhancement in operations, as well as to cover losses should the need arise.*

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

Minimal progress was registered in this area as the transfers effected from the Surplus on Ordinary Activities merely related to the Central Co-operative Fund contribution. Moreover, the amount of undistributed funds was only a trivial aggregate of €1,268 (0.25%) during the four-year period in question, ending 2017 with a closing balance of €508,488 in the Accumulated Reserve account.

<sup>1</sup> The amount of €81,072 relating to 2016 was paid on 4 February 2018.

<sup>2</sup> Accumulated Fund refers to a portion of the Co-operative's net surplus, which is retained by the latter, rather than distributed to its members by ways of dividend or patronage refund.

It is the Management's intention to retain the Patronage Refund Fund in the form of a sinking fund, and increasing it further by distributing less dividends.

### **Payment of Wages and Salaries to Members**

- a. *The payment system in place as at time of audit involved a very bureaucratic process, wherein Mount Carmel Hospital (MCH) issued the wages to KOLS employees and recouped the same funds by invoicing the various entities using KOLS services, based on an established usage percentage. KOLS then issued credit notes to a number of entities, supposedly equivalent to the amount contributed for wages, while the respective entities had to ensure that the amounts credited tally to the actual amount paid. Besides adding a workload on the MCH and also impinging on their cash flow, this system was very prone to errors which could remain undetected.*
- b. *No reconciliation was available to confirm that the amounts paid by the MCH in 2014 were equivalent to the credit notes issued by KOLS. The relevant exercise was only carried out by the MCH's Financial Controller on NAO's request during the audit.*

*Given the fact that members on Scheme B<sup>3</sup> remain on Government payroll, it was recommended for the current system to be reviewed and brought in line with applicable provisions. Moreover, reconciliations are to be carried out between salary payments effected by the MCH on behalf of KOLS and credit notes issued by the latter, and any variances recouped.*

### **Developments: Fully Implemented**

Wages payable to KOLS employees started being paid in full by the MCH, in respect of which a reimbursement of the total cost, including employer's share of National Insurance was then received from the Co-operative.

### **Operating Expenses of the Co-operative**

- a. *Although the MCH pays the Land Department a yearly rental fee of €413,329 for the entire land occupied by the Hospital, reimbursements effected by KOLS, as specified in the observation below, did not take into consideration the rental expense for the area occupied by the Co-operative. This implies that, in addition to the payment for the services being provided, the Government was also indirectly contributing to operational costs, thus tipping the surplus in favour of the members of the Co-operative.*
- b. *Records of payments effected by the MCH on behalf of KOLS only started being maintained as from 2013. These indicated that the former paid the amount of €44,177 in respect of electricity consumed by KOLS during the period December 2013 to September 2014, as well as €13,604 for meals provided to the Co-operative's staff between December 2013 and October 2014. Thus, both amounts significantly exceeded the monthly fixed payments of €2,329 and €646, disbursed by KOLS for electricity and staff meals respectively, in line with the conditions of the agreement entered into between the Health Division and the Co-operative in 2010.*
- c. *The fixed monthly amount of €2,329 for electricity was originally set in 1999 and remained unchanged up till date of audit. As a result, inflation and all other relevant increases in tariffs were not reflected therein, consequently these were borne by the MCH from public funds.*
- d. *No payments were made by KOLS for water consumption, which is extracted from a borehole situated underneath the Hospital's grounds. It was stated that the Co-operative has an agreement with the Water*

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<sup>3</sup> These were formed by public officers in co-operation with their respective directorate whereby the former continued to receive their Government salary while also benefiting from a share of any profits generated by the Co-operative.

*Services Corporation (WSC) to this effect; however, no such evidence was provided to the NAO for audit purposes.*

*It was recommended for the provisions of the conditions of agreement to be updated so that any costs incurred by the MCH on behalf of KOLS are recouped in full.*

### **Developments: Partly Implemented**

According to the Operations Manager of the Co-operative, following the installation of three electricity sub-meters by the MCH at KOLS premises, the latter was being charged with the respective cost, based on actual consumption. However, during this follow-up audit, the NAO was verbally informed that all the said electricity meters had technical faults and were no longer in operation, without being replaced by the time of conclusion of this review. The NAO was subsequently informed that action is being taken by the Ministry in this regard.

With respect to water consumption, on 20 November 2018, the WSC managed to retrieve the agreement concerning water supply from the borehole. It transpired that the last paid invoice dated back to 2010. Thus, invoices for unbilled consumption between 2011 and 2017, amounting to €80,233, were raised and issued to KOLS on 6 December 2018. In the meantime, the accrual for water expenses as recorded in the Co-operative's books of account had reached the sum of €120,715 as at 30 June 2018.

### **Equipment Reserve Fund**

*In accordance with the agreement entered into with the Health Division, KOLS shall transfer a monthly sum of €5,874 into a fund titled Equipment Reserve, which is to be used specifically for the purchase of new and replacement of existing equipment.*

- a. According to KOLS' Operations Manager, the Co-operative intends to invest the amount of €450,000 to extend the laundry and to procure a tunnel washing machine. However, the amount accumulated in the Equipment Reserve, as per KOLS' Financial Statements, totalled €308,148. Moreover, the recorded amount could not be corroborated since no separate bank account is maintained in this regard.*
- b. Although the amount disclosed as Equipment Reserve in the Statement of Financial Position as at end 2014 is of €308,148, in contrast, the Cash at Bank note of the same Financial Statements indicates that only €58,836 is maintained for fixed assets investment purposes.*
- c. No adequate records were being kept by the Co-operative, indicating the fixed assets acquired through the Equipment Reserve fund over the years.*

*It was recommended for the Co-operative to maintain a separate bank account for the Equipment Reserve fund. Moreover, amounts utilised from such fund should be duly reflected in the respective Inventory List, to enable verification.*

*Furthermore, the Health Department was encouraged to revise the provisions of the agreement, in order to increase the sum to put aside for the purchase of equipment to a more reasonable amount and necessitate the Co-operative to retain additional funds should an abnormal capital investment be required.*

### **Developments: Partly Implemented**

As from 2017, the Co-operative's monthly provision for the purchase and replacement of existing equipment increased to €8,000 to cover the expenditure of €651,446 that was necessary to bring the laundry in line with international established standards. However, this was still insufficient since, as at 31 December 2017, the balance on the Equipment Reserve account still stood at €36,785 in the negative.

The NAO satisfactorily noted that KOLS is now maintaining a ledger to record all movements in fixed assets, including purchases and their respective installation date, unit cost, estimated lifetime, remainder years of service, as well as the depreciation charge. According to auditee, funds relating to the Equipment Reserve Fund shall now be segregated and held in a specific bank account.

### **Current Account - Skema ta' Taħriġ**

*According to the conditions of agreement entered into between KOLS and the Health Division in 2010, covering a five-year period till December 2014, 15% of the profits generated from external clients, i.e. clients not included in the agreement, should have been transferred to a fund titled Department of Health Policy and Planning Skema ta' Taħriġ. In line with the provisions of the same agreement, this fund had to be used specifically to cover educational and training expenses for employees of the Health Division, and be administered by the Director, who also happens to be the Director of KOLS.*

- a. Albeit as specified in the aforementioned agreement, the account in question was managed by the Director on behalf of the Health Division, a review of the respective bank statement revealed that this was held in the name of KOLS. This notwithstanding that the said account is not included in the books of the Co-operative as it pertains to the Health Division.*
- b. As shown in the Co-operative's Financial Statements, KOLS' share from external clients for 2014 amounted to €33,962. However, a creditor balance of €15,838 was recorded in the Statement of Financial Position for the year, with respect to Skema ta' Taħriġ current account. This implies that the respective amount was not fully transferred to the Training Fund in question. It also transpired that such delays in transfers were persistent over the six-year period under review.*
- c. The records provided with respect to payments effected from Skema ta' Taħriġ account consist of spreadsheets maintained by KOLS' Operations Manager. These records, however, contained only minimal detail without any reference to corroborating evidence, substantiating the amounts included therein. It also transpired that these funds were not used in line with the established provisions of the agreement.*

*It was recommended that an independent senior official from the Health Department investigates the matters reported under this caption, to establish whether there has been a breach of contract. If in the affirmative, funds due by the Co-operative in line with established provisions were to be immediately recouped by the Health Department. Moreover, safeguards were to be implemented to ensure that no officer acts beyond the powers of his or her official position. Furthermore, any payments effected were to be duly corroborated by documentation to enable independent verification.*

### **Developments: Partly Implemented**

As already indicated, the then Director in question was divested from his responsibility as Director of KOLS. It was also noted that no expenditure was funded through the Skema ta' Taħriġ current account since December 2016. The respective bank account was closed in September 2018.

The intention is to transfer the accumulated balance<sup>4</sup> in the Skema ta' Taħriġ reserve account to a new fund. This will be used primarily to finance the training and development of mental health professionals and to sponsor research initiatives in this sector. It was also agreed to set up a committee to evaluate training requests and analyse which applications are to be granted financial assistance. To this effect, a monthly book entry equivalent to 15% of the profits generated from external clients is still being transferred to this reserve account.

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<sup>4</sup> As at end August 2018 the accumulated balance was €110,393.

## **Conclusion**

Whilst KOLS succeeded in implementing a number of the recommendations put forward in the 2014 Annual Audit Report, action is still to be taken to address the prevailing shortcomings, thereby enhancing the efficiency and effectiveness of its operations.

# Malta Council for Science and Technology

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## Background

The National Audit Office (NAO) published a Report entitled 'Malta Council for Science and Technology' in its Annual Audit Report of 2014. The objectives of this audit were to verify that, during financial year 2014, there was adequate control on the expenditure incurred by this entity.

The main areas of concern following this audit included instances where payments to employees were unauthorised, not properly supported by evidence or inaccurate. Other shortcomings, particularly but not limited to attendance records and inventory management were also noted.

## Audit Scope and Methodology

The implementation or otherwise of the recommendations made by this Office in its 2014 Report was the primary focus of this follow-up audit. Management comments submitted by the Malta Council for Science and Technology (MCST) were also referred to.

Following an introductory meeting with Management, the exercise proceeded with an analysis of the supporting documentation provided and a verification of the extent of the implementation progress. For reference purposes, the followed up findings and respective recommendations, which featured in the previously highlighted Report, are shown in grey text below. The developments pertaining to each issue follow.

## Control Issues

### *Absence of Attendance Records*

*The MCST was not keeping any attendance records of its employees. Although the responsibility for monitoring attendance is vested in the Directors of the respective Units, such absence hindered any confirmation in this regard.*

*Proper management of personnel, which requires both the existence of adequate attendance records and their verification, is a vital aspect of supervision in the workplace. In this regard, the NAO recommends the immediate implementation of attendance verification devices and performance of the necessary verification by responsible MCST officials on a regular basis, to ensure that unauthorised absences are duly addressed in a timely manner.*

*The MCST Management may be guided by the Public Service Management Code section 3.1.5<sup>1</sup>, 'Attendance Verification Systems and Devices' for the setting up of formal internal control procedures in this regard.*

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<sup>1</sup> This can be referred to in section 2.1.2 of the updated code dated 10 January 2019.

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

An attendance verification system is now in place; however, testing on two particular days, 2 and 5 November 2018, revealed that attendance records were not complete. During audit fieldwork, the NAO was not provided with the necessary explanations. The MCST submitted further documentation when the follow-up audit was concluded, but at this late stage these were not corroborated.

### **Contracts of Employment Concerns**

*The NAO came across various amendments following the finalisation of employment contracts due to the following reasons:*

- a. The disturbance allowance, previously granted on the basis of gross annual salary, was subsequently corrected to be based on basic pay through corrigenda in two instances.*
- b. A contract of employment for the position of a Director was valid for three years. Following a request from the incumbent, a private agreement reduced the term of employment to 18 months, with an option to renew under certain terms and conditions and with the possibility of further renewals. The contract was actually renewed for a further year through an addendum. The subsequent contract of employment of the same officer was also amended to change the employee's designation and taking the advantage of improving the respective financial package.*

*In order to avoid errors and subsequent amendments, official documents, such as employment contracts, should be checked thoroughly prior to being signed.*

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

Three contracts of employment of officials in different scales were reviewed by this Office. It was noted that as from January 2018, one of these officials was being reimbursed a monthly shift allowance which was not provided for in the respective contract of employment. This was discontinued in November, i.e. during the follow-up audit.

### **Overtime**

*Payroll verification revealed the following shortcomings with respect to overtime:*

- a. Overtime approval from the respective Director, for the entire sample tested was obtained retrospectively and the respective compensation was still effected without any enquiry.*
- b. The total compensation for overtime worked during 2014 amounted to €20,157, the majority of which, totalling €16,084, was paid to five officials.*

*Consistent adherence to the overtime approval procedures stipulated in the MCST Terms of Employment Handbook is to be ensured. Additionally, Management is encouraged to consider a long-term solution by conducting a holistic review of the MCST operations, with the aim of establishing an optimal cost-efficient arrangement. Overtime work should only be resorted to in exceptional and unavoidable circumstances.*

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

In line with the respective contract of employment, in lieu of overtime, a monthly disturbance allowance of 10% of the basic wage was being paid to two sampled employees in salary scale 6 and 7 respectively. However, in addition, these were still in aggregate reimbursed €8,198 for the extra time worked from the start of their

respective contracts up to the time of review, i.e. October 2018<sup>2</sup>. This practice is not supported by the MCST Terms of Employment Handbook.

In addition, one of these officials was also being paid an Extra Duty Allowance of €238 monthly as from 1 July 2018, as per contract.

The persistent manner in which overtime was still being resorted to by a number of employees is also of a concern. This contributed to a significant increase<sup>3</sup> in overtime costs, from €20,157 in 2014 to €157,112 in 2017 and subsequently to €136,221 up to September 2018.

### **Central Filing System not in place**

*The Council does not have a central registry system in place to keep track of official correspondence, as well as official files and their movements, leading to a lack of audit trail and business continuity.*

*Management was not aware of the management letters pertaining to external audits for financial years 2012 and 2013, as well as the respective replies by the MCST. The NAO was informed that such documents could possibly be stacked in a spiral staircase within the Administration Offices. Copies of these management letters were subsequently obtained by the MCST from the independent auditors.*

*Article 5 Section 5.4 of the Foundation's Charter states that, by the end of June each year, the Council is to submit draft estimates for the following calendar year to the respective Minister. However, no evidence was provided regarding such submissions for 2014 and 2015. Shortcomings with respect to the filing of documents related to the Human Resources function were also encountered. In the circumstances, the completeness of information made available during the audit has been questioned by the NAO.*

*A centralised filing system should be in place and adequately maintained by the MCST. Following the Auditors' observations, Management informed the NAO that the implementation of such filing system was being considered.*

### **Developments: Partly Implemented**

A central filing system is now in place. However, shortcomings relating to filing of documents were encountered; this also included copies of bank mandates which were not all held at the MCST.

The management letters prepared by the MCST private auditors for 2016 and 2017 financial statements were only finalised on 3 October 2018; i.e. during this follow-up exercise, and although requested by the NAO, the related feedback from the MCST Management was not provided.

Following various requests, correspondence relating to the submission of 2018 and 2019 draft estimates was forwarded to the NAO. However, evidence regarding the submissions of the 2017 draft estimates to the respective Minister was not provided.

### **Inadequate Inventory Management**

*Only room lists and a spreadsheet containing details of computer equipment were made available in respect of inventory records. However, these were neither accurate nor complete. The following issues were encountered during audit testing:*

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<sup>2</sup> One official was paid an amount of €4,374 for the period between August 2017 to October 2018, while the other was paid an amount of €3,824 between the period June 2017 to October 2018.

<sup>3</sup> This is partly because the number of employees has more than doubled from 65 in 2014 to 149 in 2017.

- a. *A document traced in an officer's personal file revealed that the description (brand, model and serial number) of a laptop, given to him on loan did not correspond to the inventory list. The NAO later established that this equipment was in fact replaced in 2012. The previous laptop, claimed to be obsolete but which did not feature on the list, was found in a locked cabinet, which had to be forced open by Management, as the key was misplaced.*
- b. *Another laptop held by another officer was also not included in the database made available. Through further queries, it was established that this was transferred from another ex-MCST staff member; however, the records were not updated accordingly.*
- c. *Although the room inventory lists forwarded to the NAO are dated March 2015, the room list hung in one particular room was dated 12 June 2012. As a result, such list did not reflect the actual inventory held in that room.*
- d. *Enquiries revealed that there is no documented policy with respect to obsolete items of inventory. Additionally, once inventory records are updated, previous versions were not kept.*

*Effective controls over the tracking and valuation of fixed assets require the maintenance of an inventory database to ensure that the information is accurate and complete. Such database is to be safeguarded through adequate backup records. An officer entrusted with the responsibility of inventory management at the MCST is also expected to perform periodical physical reconciliations.*

*Inventory procedures for obsolete items should be formally established and followed. Additionally, previous versions of inventory records are to be filed accordingly. The MCST is to be guided by the MF Circular No. 14/99 – 'Government Accrual Accounting: Revised Inventory Control Regulations'.*

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

The MCST did not provide a copy of the fixed asset register, stating that due to the amount of work this task requires more resources to be completed. In their management letter, dated 3 October 2018, the external auditors also commented on the fact that the MCST does not maintain a fixed asset register. Additionally, the room inventory lists were neither accurate in items and quantity recorded nor adequately updated.

On the other hand, the NAO satisfactorily noted that inventory procedures for obsolete items are now in place and comply with standing inventory regulations.

#### ***Travel lacking Adequate Approval***

*All official travel by the MCST employees, including European Union related travel, requires prior approval of the respective Director and the Operations Unit, as per section 13.1 of the MCST Terms of Employment Handbook. However, the six travel request forms, of the MCST employees in the sample selected, did not feature the necessary approval by the Operations Unit.*

*All official travel is to be invariably approved in line with the MCST policies.*

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

A sample of five travel request forms for year 2018 was verified and it was confirmed that approval was sought in line with the MCST policies.

## Compliance Issue

### ***Submissions of Audited Accounts and Annual Reports***

*As per the Foundation's Charter forming part of the Deed, audited financial statements of the previous year are to be submitted to the Minister responsible for Science and Technology Policy by not later than the end of March each year. However, audited accounts for the year ending 2014 were only finalised on 30 July 2015. These were sent to the Minister on 21 August 2015, following the NAO's query by email earlier, on the same day.*

*The Charter also requires the submission of the annual report of the activities of the Foundation over the previous calendar year, to the respective Minister, by the end of March of each year. A copy of this annual report should also be submitted to the Prime Minister. However, by the conclusion of this audit, the NAO was not informed that this requirement was met.*

*Management is to ensure that the financial statements are finalised well in advance for the annual statutory audit to be conducted by external auditors by the established deadline. This facilitates the printing of the annual report of the activities and timely submissions, since this is dependent on the audited financial statements.*

### **Developments: No Progress**

The audited accounts and annual reports for 2016 and 2017 were both delivered by hand to the Office of the Prime Minister by the MCST on 30 October 2018. This is much later than the end of March deadline stipulated in the Foundation's Charter. According to the MCST, the annual report was published late due to the volume of work and the lack of human resources available to carry out the tasks involved. Furthermore, it was also stated that when the Charter was drawn up, the MCST's operations were miniscule compared to today's complex operations. According to the MCST, the March deadline is not attainable.

## Conclusion

This follow-up assignment revealed that a number of the recommendations made by the NAO in 2014 were still partly implemented in 2019. Thus, the MCST is expected to regularise its position and take on board those outstanding without unnecessary delays. Evidence of any action taken is to be documented and filed for future reference.

# Ministry for the Economy, Investment and Small Business

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## Background

The National Audit Office (NAO) published a Report entitled 'Ministry for the Economy, Investment and Small Business – Expenditure' in the Report by the Auditor General – Public Accounts<sup>1</sup> 2015. The main objective of this audit was to ensure that expenditure incurred by the Ministry for the Economy, Investment and Small Business (MEIB) during the year under review, was appropriately recorded and processed in accordance with pertinent regulations and circulars.

The audit had revealed a number of issues, including payments to a service provider substantially exceeding the contract price. Other shortcomings were noted in relation to official travel abroad.

## 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 Ministry has acted upon the recommendations put forward by the NAO. Related management comments submitted by the Ministry were also referred to.

Meetings were held with the respective officials, whereby this Office was informed of the progress made by the Ministry since the last audit. A set of questions was then prepared, requesting further comments, clarifications and supporting evidence. Following verification of documentation obtained, Management replies were analysed and incorporated in this Report accordingly.

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

## Key Issue

### ***Contract Value exceeded and Extended Period not covered by Performance Guarantee***

*The approval issued by the Ministry for Finance (MFIN) in March 2014, for the procurement of cleaning services at the MEIB offices, covered a four-month period on condition that the total amount of €12,000 exclusive of Value Added Tax (VAT) was not exceeded. However, total payments amounting to €70,017 were issued for services carried out for a whole year. No evidence of any formal extension to this approval was traced.*

*Furthermore, the Performance Guarantee submitted by the service provider only covered a three-month period, effective from April 2014.*

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

*The Ministry is to ensure that all the conditions laid out in Finance approvals are abided with. Where it is envisaged that the service will be required for a longer period than that catered for in the original approval, guidance is to be sought from the MFIN accordingly. Moreover, Performance Guarantee is to cover the full period for which the service is needed.*

**Developments: Fully Implemented**

Following a call for tender, a new cleaning agreement was signed in December 2017 with another service provider, covering various premises pertaining to the Ministry. This was covered by a valid Performance Guarantee in line with the applicable contract. According to the Ministry, thorough checks are being carried out by verifying invoices with the respective timesheets before settlement.

**Control Issues**

***Backdated Contract for Information Technology services***

*An agreement between the MEIB and the Malta Information Technology Agency came into force almost 13 months prior to the date of signing of the same agreement.*

*Contracts with service providers are to be endorsed by all parties prior to their effective date, or as close to it as possible.*

**Developments: Fully Implemented**

In 2018, the Ministry was covered with a valid contract for this service.

***Inconsistencies in obtaining Quotations for the Lease of a High-end Vehicle***

*The quotation requested from three different companies for the lease of a high-end vehicle for five years did not indicate the same maximum fixed rental charge that one can quote. At the indicated rate, one company was not interested to bid. An email from the second company, requesting further details, was answered by the Ministry almost two months later, on the same day that approval from the MFIN was given to enter into a five-year agreement with the bidder whose quoted daily rate was higher than the capped price for the other bidders. Total cost was agreed at €45,650 (VAT excl.) for the contracted period. The difference in the daily rate paid when compared to that capped with the other companies was €9.50.*

*Whilst all requests for quotations are to contain identical information, any queries raised by prospective suppliers are to be answered in a timely manner. This will enable the Ministry to have sufficient comparable information for the selection of the best option from the interested service providers.*

**Developments: Fully Implemented**

The procurement relating to the new lease agreement starting January 2019 was also done through a Direct Order approved by the MFIN, after three quotations had been obtained. Through audit testing, it was ascertained that the quotations were sought for the same vehicle model, the cheapest bidder was selected and that the amounts charged were in accordance with the contracted rate.

***Sponsorship not covered by an Agreement***

- a. According to an undated Letter of Intent, the MEIB confirmed its intention to enter into an agreement with an association to sponsor a television campaign through the reimbursement of up to €10,000 to*

*cover part of the respective costs. The parties were to enter into a formal agreement, however, this was not traced.*

- b. Although according to the Letter of Intent, the reimbursements of costs were to be made against the submission of fiscal receipts compliant to the VAT obligations, these were not traced in the departmental file reviewed.*

*A policy decision has already been taken by the MEIB whereby, in the future, similar reimbursements falling over such a short transaction period will be immediately provided for through an agreement without the prerequisite of a Letter of Intent, thus simplifying bureaucratic procedures.*

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

This sponsorship is still being granted annually by the MEIB to the same association and an agreement is signed every year between the two parties. Checks are being carried out, to ensure that the reimbursement is made in accordance with the agreement, and subsequent to the submission of fiscal documentation from the association. The MEIB also ensures that the total refunds do not exceed the established amount.

#### **Permanent Secretary's Approval sought subsequent to Payment**

*Audit testing revealed three instances where the authorisation for payment was sought on the same day or subsequent to the issue of the respective payment, thus rendering the eventual granting of the MEIB Permanent Secretary's approval superfluous.*

*Expenditure warranting approval prior to being paid is to be duly and timely authorised by the right level of authority, as per standing procurement regulations.*

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

In its strive to ensure that all the necessary approvals, are in place before effecting payment, in January 2019, all Ministry officers were reminded of the importance of obtaining timely approvals. During the follow-up it was confirmed that there was adequate internal control on the procurement process, including timely approvals when these were necessary.

#### **Insufficient Control over Travel Expenditure**

*A number of weaknesses were noted with respect to travel abroad on official duties, which amongst others included reimbursement of personal expenses and refunds of expenditure which was not supported with sufficient details. Cash advances were also being forwarded to a politically exposed person.*

*It is to be ensured that only justified incidental expenses and purchases incurred on official business are reimbursed. Furthermore, statements of expenses submitted by travelling officers are to be duly verified to ascertain that expenses claimed are in line with the requirements of the Public Service Management Code. Calculations are also to be recomputed for accuracy.*

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

In line with standing regulations, all travel requests within the MEIB are now being processed electronically on the Corporate Travel Management System that this Ministry implemented in late 2017.

More rigorous checks are now being carried out and in the event that any personal expenses are erroneously reimbursed, a refund is requested from the travelling officer. Reimbursements computed electronically are also

manually counterchecked. Testing did not reveal any instances of overpayments or reimbursement of personal or non-claimable expenses in the two trips analysed by this Office during this follow-up exercise.

All advances to travelling officers are now being done via bank transfer and no cash is forwarded to travelling officers.

Moreover, if receipts in a foreign language other than English are submitted, a translation is now being requested.

### ***Discrepancies noted during Physical Inspections of Inventory***

*Physical inspections were performed on a sample of entries in the inventory database, recording items located at Palazzo Zondadari and the Millennia Building. Shortcomings included instances where the quantity of assets as recorded in the inventory database differed from the actual quantities found on site. Some items were also found in a different location or not included in the inventory database.*

*Whilst the MEIB is to continue in its exercise of keeping the inventory database up-to-date, periodic physical verification of records is also encouraged, to ensure that inventory records truly reflect the description, quantity and location of items. Any transfer of assets, both permanent and temporary, is also to be duly recorded.*

### **Developments: Fully Implemented**

The MEIB indicated that physical inventory checks are being carried out on an ongoing basis to ensure that, as much as possible, inventory records are properly maintained.

To substantiate this assertion, the Ministry provided the NAO with an inventory database pertaining to each MEIB location, evidencing an inventory exercise carried out in December 2018, whereby items were marked according to their current status.

### **Conclusion**

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

# Sir Anthony Mamo Oncology Centre

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## Background

The Annual Audit Report of 2015 published by the National Audit Office (NAO) included a write-up on the procurement of contractual and professional services at Sir Paul Boffa Hospital (SPBH)<sup>1</sup>. The objectives of the audit were to evaluate the system of internal controls ensuring that funds were spent for their intended purposes, within the approved limits and in line with the provisions of standing Public Procurement Regulations (PPR). Testing was also aimed to obtain reasonable assurance that payments effected were accurate, duly covered by supporting documentation enabling verification, and in line with applicable agreements.

The audit had mainly revealed a lack of internal control, including expenditure falling outside the scope of the contracts in force, necessary authority for procurement obtained retrospectively, if at all, and habitual contract extensions hindering fair competition.

## Audit Scope and Methodology

The scope of the follow-up was to determine the extent to which Management has acted upon the recommendations put forward by the NAO with respect to the abovementioned audit.

An introductory meeting was held with Management in order to obtain a general insight 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 2015 Report, are reproduced in grey text below.

The development pertaining to each issue is indicated according to a set scale outlining the stage of the process leading to the resolution of the issue.

## Key Issue

### ***Lack of Internal Control***

*Audit testing revealed a lack of internal control, synonymous to Management by crisis in various instances which mainly covered:*

- *expenditure falling outside the scope of the contracts in force;*
- *necessary authority for procurement not available or obtained retrospectively; and*
- *habitual contract extensions hindering fair competition.*

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<sup>1</sup> As from 7 September 2015, only dermatology services were being provided from this hospital as the other services were transferred to Sir Anthony Mamo Oncology Centre, which was inaugurated on 20 September 2015.

*The fact that procurement authority for a number of services of substantial value was being obtained through negotiated procedure without prior publication of a European Union contract notice, was also a case for serious concern. In fact, the frequency with which negotiated procedure was being resorted to, as well as the considerable amounts disbursed, raised questions as to whether the respective PPR provisions were being breached or abused.*

*Management was encouraged to implement the NAO's recommendations suggested under the respective observations for a sound audit trail and transparent procedures.*

### **Developments: Insignificant Progress**

Verifications carried out revealed that, in the majority of the instances reviewed, procurement of services was still being effected under the same agreements which were in force during the previous audit, which agreements were being extended by means of retrospective negotiated procedures. Further details are being highlighted under each pertinent observation being reported upon in this follow-up Report.

## **Control Issues**

### **Patients' Catering Services**

#### **Contract Extension Ambiguity**

*In December 2006, a service provider was awarded the contract for the provision of catering services to inpatients at the Mater Dei Hospital (MDH), SPBH and St. Luke's Hospital. The contractor was bound to render the services for a period of 10 years starting from November 2007.*

*Notwithstanding that the provisions of the agreement indicated that an extension would be considered in 2015, the Department of Contracts (DC) instead extended the contract for an additional five years on 7 March 2013. Such extension was made on the condition that the existing meal prices would not be revised and that the service provider would finance the procurement of additional equipment, worth approximately €500,000, to cater for the increase in meal quantities. However, such conditions were deemed superfluous due to the following reasons:*

- a. The costs of the necessary equipment were always expected to be borne by the supplier.*
- b. Despite that the financial bid submitted had provided for the number of meals to be in excess of 1,840 daily, during December 2015, the average number of meals supplied under this contract was of 1,688. This implies that there was no increase in meal quantities when compared to what was agreed upon.*

*The contract was further extended from 2017 until the year 2022.*

*It was recommended for such decisions to be avoided since failure to abide by the original contract conditions creates ambiguities and reduces the level of transparency.*

### **Developments: No Progress**

The 10-year agreement entered into in 2006, which was extended for further periods in 2013 as well as 2017, was still applicable during 2018. Moreover, in view that no documentation was provided substantiating any additional capital investment undertaken by the contractor, it could not be determined whether such condition was eventually adhered to.

## Lacking Controls hampering the Verification of Invoices

*A review of the ordering process revealed that the service provider was responsible for the data collection system to process the meal orders. However, order records were not kept, thus hindering reconciliation with the number of meals invoiced. As a result, bills were only checked against the delivery notes. Furthermore, due to operational constraints, the delivery notes were endorsed without checking the contents of the trolley containing the meals.*

*In the circumstances, verifications undertaken by the Accounts Section were limited. No consideration was given to the fact that the 'Menu Count' was not previously confirmed to reflect the actual meals delivered. Thus, such checking was actually ineffective.*

*The Sir Anthony Mamo Oncology Centre (SAMOC) was encouraged to investigate the discrepancies highlighted during the audit and take necessary action with the supplier. It was also recommended for delivery notes to be endorsed only after the details are verified with the actual meals consigned. When the delivery notes and invoices are reconciled to the actual orders, such verification is rendered more meaningful.*

### **Developments: Fully Implemented**

The Standard Operating Procedures (SOPs), outlining the process to ensue upon the placing of orders and subsequent delivery in case of goods procured under contractual agreements, were agreed with the Nursing Management. However, in view that the respective document was neither dated nor endorsed by Senior Management, it was not possible to determine as from when the SOPs became applicable.

From a walkthrough exercise carried out with the Finance Manager, it was confirmed that the necessary checks and reconciliations, as laid down in the said SOPs, are now being undertaken both at the delivery as well as invoicing stage, with any discrepancies being raised with the supplier prior to effecting the respective payment.

## **Provision of Staff Meals**

### **Formal Extensions not available**

*Following a departmental call for tender, in July 2012 a caterer was awarded the contract for the supply of staff lunches at the SPBH for a period of one year, with the possibility of extending on a monthly basis for a further period of 12 months, up to a total value of €141,600.*

*Staff lunches continued to be procured from the same supplier beyond the initial one-year term, however, no evidence of an official extension to the contract period, i.e. from August 2013 onwards, was furnished. On 4 March 2015, the Ministry for Health approved a variation of €38,400 above the original maximum value of the tender. This related to an extension to the contract, covering the period starting from June 2014. Thus, procurement for the nine months in question was still carried out through an unauthorised direct order until approval was obtained retrospectively.*

*As at October 2016, both SAMOC and the SPBH staff meals were still being supplied by the same caterer, at the tendered price.*

*Procurement is to be adequately monitored such that the necessary arrangements to issue new tenders are planned well in advance and to ascertain adherence to standing procurement regulations for transparency and fair competition. Additionally, Management is to ensure that the necessary formal agreements with contractors are drawn up accordingly.*

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

On 5 May 2017, the Central Procurement and Supplies Unit (CPSU) entered into an agreement, effective retrospectively as from 1 January 2017, with a local catering company for the provision of 24,000 staff meals, with a total value of €87,600 for employees located at SAMOC and the SPBH. The contract was expected to expire once the indicated quantity was exhausted. Through a negotiated procedure, this contract was extended to cover the provision of an additional 22,500 meals for an aggregate value of €83,000.

However, the NAO was informed that, as from 12 November 2018, staff at SAMOC started availing themselves of the MDH canteen. The meals under the aforementioned contract were instead supplied to staff at the Child Development and Assessment Unit and the SPBH. It also transpired that the respective bank guarantee had expired on 23 February 2018 and was not renewed.

### **Other Matters relating to Staff Meals**

- a. *SAMOC officers who previously benefitted from free staff meals at the SPBH when they were not so entitled, continued to enjoy the benefit following migration. The NAO was informed that this matter was being discussed by Management.*
- b. *Whilst invoices were checked against the supplier's delivery notes prior to payment, the number of meals charged was not reconciled to the daily employees' attendances.*
- c. *Notwithstanding that the tender for staff lunches consisted of the provision of plated meals, the actual staff meals provided consisted only a choice of baguettes, wraps, salads and bread, charged at the same meal price.*

*The distribution of meals to staff falling short of the established requirements is considered as unauthorised. Thus, Management is to ascertain that established policies are invariably adhered to in order to prevent discrimination between employees and to avoid antagonism in the working environment.*

*Furthermore, without prejudice to the method of procurement, in the event of future similar circumstances, one would expect SAMOC to negotiate a lower price in order to ensure that value for money is obtained. Documentation in this respect is to be filed for future reference and audit purposes.*

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

As already indicated above, with effect from 12 November 2018, staff at SAMOC was being offered plated meals by the MDH canteen, whereby through an automated verification system, involving the swiping of the staffs' access cards, tickets are printed to confirm that meals were availed of. Such system ensures that free meals are only being provided to entitled staff.

On the other hand, verifications carried out at the SPBH only ascertain that the number of snacks as per delivery notes, which are certified correct at the said hospital, tally to the quantities ordered. The record of employees' attendances is not being forwarded to SAMOC to be reconciled with the number of meals invoiced.

### **Provision of Internal Security Services**

#### **Extensions to Contract hindering Fair Competition**

*Following a call for tender issued by the DC, an agreement was reached with the service provider for the provision of internal security services at the MDH effective as from 3 September 2009, for a period of three years and extendable by two further periods of six months each.*

*On 12 December 2013, approval was granted by the General Contracts Committee (GCC) for the same contractor to continue providing security services at the MDH and other entities within the Health Division, for a maximum period of one year, renewable every month. Such approval was inappropriately granted in terms of negotiated procedures, even though justification did not meet the applicable criteria.*

*Furthermore, through a letter of acceptance dated 15 April 2015 sent by the CPSU, the same service provider was informed that the security services contract, covering the MDH and other entities within the Health Department, was once more being extended on a monthly basis, again through negotiated procedures. This notification was effective retrospectively as from 3 September 2014 until 31 October 2015.*

*The provision of security services continued notwithstanding that it was not covered by any further approval. According to Management, in May 2016, the CPSU was still awaiting clearance from the GCC, following the conclusion of negotiations, to have the contract extended yet again.*

*In order to enhance transparency and support a fair competition amongst prospective bidders, it was recommended to strictly limit the extension of contracts in line with the original call for tender.*

### **Developments: Insignificant Progress**

Through retrospective biannual extensions effected by means of negotiated procedures, security services at the MDH and SAMOC continued to be procured under the same contract which was entered into in 2009. Furthermore, updated bank guarantees were not traced.

Notwithstanding that a tender for the provision of these services was drafted, by the time this follow-up audit was concluded, the respective document, which was submitted to the DC in mid-2018, was still being vetted by the latter.

### **Insufficient Compliance Checking**

*In view that requests for personnel payslips for audit purposes were not acceded to, implied that no checking was carried out by the MDH to verify compliance with the pertinent circulars vis-à-vis minimum hourly rate payable by the contractor.*

*Obtaining specific documentation enhances monitoring and control. Thus, it is advisable that payslips are requested randomly on a regular basis.*

### **Developments: Fully Implemented**

From audit verifications carried out, it was ascertained that sample testing on payslip of contractual staff is being carried out by Director of Contracts (MDH) on a quarterly basis, thereby ensuring that paid hourly rates are in line with the applicable circulars.

### **Procurement of Cleaning Services not formalised**

*Following the expiration of the seven-year agreement, approval was obtained from the GCC to initiate a negotiated procedure for the procurement of cleaning services at the MDH and SAMOC with Servizi Malta for a seven-month period commencing 1 November 2015 until 31 May 2016.*

*Despite that negotiations in this respect were concluded in May 2016, by the end of this seven-month period, the agreement between the contracting authority and the service provider had not yet been formalised.*

*It was recommended to sign the relevant formal agreement prior to the commencement of services.*

### **Developments: Significant Progress**

In view that a new agreement was not formalised, cleaning services at both the MDH as well as SAMOC continued to be procured under the original agreement entered into in 2008, which was being extended retrospectively through negotiated procedures for periods of six months each, until a new tender is awarded. Updated bank guarantees were also not traced in this regard.

In the meantime, a tender for the provision of cleaning services was published on 26 April 2018, in respect of which five offers were submitted, but one of the bidders forwarded a proposal to revise the rates of his offer. The Evaluation Committee had reservations on this and rejected the offer. Consequently, an appeal was filed with the Public Contracts Review Board, with the latter confirming the decision of the Evaluation Committee. The respective bidder filed an appeal in court but the case was not yet decided by the time this Report was being drafted, i.e. mid-May 2019.

### **Shortcomings relating to Care Worker Services**

- a. *Approval from the Ministry of Finance for the procurement of care worker services, provided between 4 May 2014 till the end of year 2015, was sought retrospectively on 26 April 2015. Moreover, although the service continued to be provided following the aforementioned period, no further approvals or agreements were traced in this regard.*
- b. *Based on a direct order approval of €11,082,101, a bank guarantee bearing a value of €1,108,210 was to be provided. Nonetheless, the only performance guarantee made available for audit purposes amounted to just €270,700. In addition, the respective document was dated prior to the letter of acceptance and expired in May 2015. Though Management claimed that this guarantee was extended until May 2016 supporting documentation to this effect was not provided.*
- c. *Notwithstanding that the four-year contract agreement dated September 2009 required the service provider to keep attendance record of all employees, by date and location, by way of biometric electronic means at the company's expense, such equipment was not yet installed by February 2016.*

*For proper control, SAMOC is to ensure that the necessary approval is in place before proceeding with the respective procurement. Subcontracted services are also to be backed up by a formal agreement.*

*Management is duty bound to ensure that the interest of Government is safeguarded, especially given that substantial amounts are being disbursed from the taxpayers' money on such services. Thus, any clauses included in the contracts are to be fully observed to avoid undue expenditure. Corrective action is to be taken in the event of non-compliance.*

### **Developments: Partly Implemented**

By means of two retrospective extensions dated 9 April 2018 and 14 August 2018 respectively and effective through negotiated procedures, the original agreement entered into on 3 September 2009 was extended further for the first six months of 2018 and again for the second half of the year. According to Management, a new tender document has been drafted which by mid-May 2019 was still in the process of being vetted by the DC.

For 2018, the allocated budget for such services stood at €16,568,304. However, although it necessitated a bank guarantee of 10%, the respective value was not adjusted proportionately but was kept the same at €270,700.

Since the service provider failed to install the biometric electronic equipment, this was installed by SAMOC in February 2018 for all contracted employees and was effectively brought into use in July 2018.

## Compliance Issue

### **Shortcomings in Inventory Management**

*Notwithstanding that relevant documentation covering inventory handed over from the Foundation for Medical Services to SAMOC was available, proper inventory records were still being compiled by the latter. In addition, room inventory lists were also not available.*

*For effective controls over the tracking and valuation of fixed assets, SAMOC is to maintain an updated inventory database and ensure that the information is accurate and complete. An officer entrusted with the responsibility of inventory management is also expected to perform periodical physical reconciliations. To this effect, Management is to be guided by the Inventory Control Regulations established in MF Circular No. 14/99 – ‘Government Accrual Accounting; Revised Inventory Control Regulations’.*

### **Developments: Partly Implemented**

SAMOC has a record of the assets falling under its responsibility; however, the maintenance of such data is not in line with the cited circular. A separate spreadsheet is compiled for each asset category, which is resulting in scattered information on multiple databases. Furthermore, room inventory lists were not traced.

## Conclusion

The NAO acknowledges that efforts were made by Management to implement the recommendations put forward in the 2015 Annual Audit Report. However, improvement is still to be registered in a number of areas, especially that pertaining to the procurement of services.



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Follow-up Reports by the  
Performance Audit Section

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# Outpatient Waiting at Mater Dei Hospital

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## Background

This follow-up audit aims to report on the progress registered since the publication of the performance audit report: *Outpatient waiting at Mater Dei Hospital*, which was published in November 2017. Issues and conclusions presented in this follow-up audit reflect the information made available to the National Audit Office (NAO) as at end August 2019.

The 2017 Report concluded that over the years the Outpatient Department experienced a rise in patient visits. Nonetheless, the provision of services within an increasing number of clinical specialties and the work practices adopted, excessive waiting time for an outpatient consultation appointment remains an issue of concern.

To this effect, the 2017 Report noted that Primary health care was not acting as an effective gatekeeper to secondary health care access, which, coupled with a lack of resources and access to patient information was leading to unwarranted outpatient referrals. As most clinicians employed by the Hospital also provided services in the private sector, Mater Dei Hospital (MDH) generally had severe limitations to extend its outpatient hours beyond early afternoon. Moreover, waiting lists and times tended to be significantly longer with respect to these consultants as their private patients opted to continue their care at MDH under the same clinician, which led to unequal distribution of cases between consultants. At the time, the Hospital did not have an integrated administrative IT system, which affected the level and quality of management information as well as the administrative processes concerning outpatient appointments. Another issue was the unjustified no-shows, whereby some patients opt not to turn up for their scheduled appointments without notifying MDH in advance. This, apart from being costly, also prohibited other patients from being attended to earlier.

## Audit Scope and Methodology

In view of the findings and conclusions emanating from the 2017 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 study, the NAO retained the same objectives of the 2017 Report, which sought to determine the extent to which:

- a. the management of the outpatient demand is affecting waiting time and lists at MDH's Outpatient Department;
- b. MDH's Outpatient processes and work practices are conducive to minimising waiting time; and
- c. MDH's management structures and mechanisms are enabling the efficient management of waiting time and lists at the Outpatient Department.

The findings and conclusions presented in this follow-up report are primarily based on interviews carried out with key personnel from MDH as well as the review of relative documentation provided.

In order to illustrate the progress achieved by the above entities in implementing the NAO's recommendations, this Report reproduces the recommendations proposed in the 2017 Report in italic text followed by an outline of the progress registered. The ensuing text also classifies implementation progress in three self-explanatory categories.

***MDH is to expedite action in relation to strategies, policies and protocols as well as supplement the regulatory framework to enable management control and enforcement***

*MDH is to expedite action to enable the introduction of strategies, policies and protocols relating to the Outpatient Department. These should include the definition of Outpatient waiting time, stipulate maximum waiting times for first appointments as well as provide guidance on referring and discharging patients. Moreover, MDH is to supplement its regulatory framework with the appropriate mechanisms to enable management control and enforcement.*

**Developments: *Partly Implemented***

- a. CEO (MDH) together with the Hospital's Executive Management have stipulated a waiting time of 26 weeks from referral to first Outpatients visit for routine (non-urgent) appointments. A Patient Charter for Outpatients is under development. The necessary managerial infrastructure will need to be implemented and put in place to ensure the targets set are reached.

MDH initiated actions to reduce waiting times which include extending clinic hours for most of the specialities and managing better patient no shows.

Nonetheless, an analysis by MDH with respect to the period 2017/18 showed that some clinics and consultants still had waiting times exceeding 26 weeks. This is mainly evident in the Diabetes, Gastroenterology and Urology clinics, leading to over 7,000 patients having waiting times exceeding 26 weeks for their outpatient appointment. MDH contend that such situations materialised due to consultant unavailability, patients who do not turn up for appointment, the lack of afternoon sessions and walk-ins. This situation still largely reflects the findings reported by NAO in 2017.

- b. MDH Outpatient stakeholders held discussions concerning a management structure for the Outpatients. To date job specifications have been drafted for the Post of Director and submitted to HR MFH, but recruitment is still pending with the exception of a new role of a Service Manager (Allied Health). MDH have also developed a number of Standard Operating Procedures (SOPs) dealing with the cancelling and rescheduling of appointments, patient records and the ticket of referral. However, these SOPs are not yet in effect since MDH contends that these protocols form part of a larger review of the whole process within the Outpatients and are part of the project in relation to the new Outpatient building.

***MDH is to consider the feasibility of extending the provision of services through contracting out and PPPs to decrease waiting time***

*In the short to medium-term, MDH is to further consider the feasibility of extending the provision of services through contracting out and Public Private Partnerships (PPP) to decrease outpatient waiting time. Such options are to be resorted to in instances where the Hospital has ascertained that services cannot be provided in-house and where cost- benefit analysis justifies farming out and PPPs.*

**Developments: *Not Implemented***

- a. In 2017, MDH sought to evaluate the extent to which outsourcing of certain outpatient clinics would contribute to the reduction of patient waiting times. Outpatient clinics under consideration included Urology, Rheumatology, Respiratory, Diabetes and Gastroenterology. However, after various discussions

between the main medical stakeholders and committee members, it was decided that such a proposal was not feasible and so was put on hold. This was mainly due to infrastructural limitations within the private sector and the unfeasible cost structure proposed.

Furthermore, MDH had also considered the option to farm out some of its specialities to health centres or other government institutions. Up to the writing of this Report, MDH contends that farming out outpatient appointments may be a slow process as well as low in numbers. This is due to the need of setting discharge criteria as well as re-appointing criteria. As at the time of drafting this Report, MDH were still discussing the establishment of outpatient discharge and appointment criteria and how this could be validated in a farming out scenario. To date, MDH has not carried out or commissioned any studies in this regard.

***MDH is to increase collaboration with private health sector, including access to private sector clinicians to book investigations via an online service, as well as the exchange of clinical and administrative patient information***

*MDH is to consider increasing its collaboration with the private health sector. As patients oscillate between both the private and public health sector, collaboration between the two providers is critical to streamline health care for the benefit of patients and the more efficient use of Hospital resources. Collaborative measure in this respect include:*

- a. *Access to private sector clinicians to book investigations at MDH through an online-based service.*
- b. *The exchange of clinical and administrative patient information between the two sectors would facilitate the scheduling of appointment, the duration of consultation visits and follow-up visits. This is especially relevant in chronic disease cases.*

**Developments: *Implemented***

- a. Through the myHealth online system, General Practitioners (GPs) can now order blood investigations and most of medical imaging investigations for their patients. Respective results are also available online for both the GP and the patient. Furthermore, a copy of the hospital discharge summary given to patients can now also be viewed online by the GPs.
- b. Currently, GPs are also in a position to electronically fill in a ticket of referral and/or book a hospital appointment for their patients. These initiatives are possible whenever an online electronic link is established between the patient and respective GP.

***MDH's autonomy over the recruitment function is to be increased in order to expedite the recruitment of key staff***

*Options to expedite the recruitment of key staff, particularly those considered as essential for the Hospital's Outpatient Department are to be explored. Such approaches include increasing MDH's autonomy over the recruitment function.*

**Developments: *Not Implemented***

- a. MDH contends that although Human Resources Plans and related budgets are prepared accordingly, MDH follows the recruitment procedures adopted within the Civil Service and which are established centrally. Discussions in this regard were held with the Office of Perm Sec Ministry for Health (MFH) to create a post for Outpatients Director/Directorate. However, this proposal is still not in place.

**MDH is to consider broadening the accessibility of financial management information to senior management positions**

*MDH is to consider broadening the accessibility of financial management information to senior management positions, including those related to clinical specialties. Cognisance of cost information would raise awareness among senior positions of efficiency related issues within their respective areas of responsibility.*

**Developments: Partly Implemented**

- a. MDH have trained a number of Senior Management Personnel in management principles and financial management. No information is available on the number of individuals trained. Furthermore, MDH contends that it is planning to train a future management team specifically for Outpatients to equip them with the necessary tools to manage finances of this Department. It is to be noted that discussions are underway concerning a management team for Outpatients.

**MDH is to improve the coordination and cooperation of various professional bodies providing services at the Outpatient Department in order to synchronise resources, improve efficiency of operations and ascertain that infrastructure is increasingly utilised for longer periods**

*MDH is encouraged to step up efforts to ascertain the coordination and cooperation of the various professional bodies providing services at the Outpatient Department. This enables better synchronisation of resources, improves efficiency of operations and ascertains that the Hospital infrastructure is increasingly utilised for longer periods. Changes to historic work practices entails that these are complemented with the appropriate level of change management. Changes in current work practices become more critical given the significant investment in the new Outpatient block, which is scheduled for completion by 2020/2021.*

**Developments: Partly Implemented**

- a. Up to the writing of this report, MDH was drafting a whole managerial structural plan to improve the communication and practices within its hospital. Various departments within the hospital have extended their time of service, such as an Outpatient Department Unit, the Diabetes Education Unit, and the Psychology Department.

Furthermore, MDH contends that medical job plans of newly recruited medical consultants now include afternoon clinical hours to be split between the operating theatre and the Outpatient Department. According to MDH, these measures enable the Hospital infrastructure to be utilised for longer periods. However, MDH acknowledges that the Hospital is still to collate and analyse data on the impact of these measures on waiting times.

**MDH is to broaden the use of the electronic referral ticket, in order to facilitate information exchange between primary health care and the hospital**

*MDH is to step up its efforts to broaden the use of the electronic referral ticket. The use of an electronic referral ticket facilitates information exchange between primary health care and the Hospital. Such information would also enable the Hospital to discharge patients back, where circumstances dictate, to the referring specialist within primary health care where patients can be followed up at community care level in accordance with the National Health System Strategy for Malta 2014 – 2020 (NHSS) principles.*

**Developments: Partly Implemented**

- a. Presently, the electronic Ticket of Reference (TOR) is being developed as part of the Clinical Patient Administration System (CPAS). This development is still in the testing phase. It is envisaged that phase 1 of this project will be ready by the first quarter of 2020. The timeline for Phase 2, which includes the delivery of the final product, depends on the outcome of Phase 1 and whether commissioning for further development to the system would be necessary.
- b. Further improvement in the area of referrals emanate from the new Information Technology (IT) referral system developed to refer suspected Colorectal Cancer patients to fast-track their Colonoscopy investigation, diagnosis and respective treatment. Through this new system, GPs can now refer their patients on-line after doing the pre-op themselves and bypass the need to be seen at the Surgical Outpatients. As this system was piloted successfully, it will now be extended to all the GPs.

**MDH is to centralise the processing of all referral tickets by the Booking Office to strengthen audit trails, transparency and accountability over the issue of appointments**

*Efforts are to be stepped up so that the Outpatient Booking Office processes all referral tickets. Centralising this function implies that MDH management would have a better visibility and control over the issue of appointments. Another benefit of centralising this function relates to the strengthening of audit trails, and hence transparency and accountability over the issue of appointments.*

**Developments: Partly Implemented**

- a. As already highlighted in the previous recommendation, the issue of centralisation will be dealt with upon the finalisation of the electronic Ticket of Reference (TOR) being developed as part of the CPAS referral project. The final phase of the CPAS referral system intends to solve the problems created to the present appointment system. When this system is finalised, appointments will immediately be provided automatically, as booked by the GP on-line in agreement with the patient. MDH contends that this is a long-term project and estimate that it will be in place within the next four years.

**MDH is to step up efforts to minimise the incidence of unjustified no-shows**

*MDH is to step-up efforts to minimise the incidence of unjustified no-shows. The Hospital is encouraged to adopt a stricter stance in such cases in lieu of current practices whereby MDH issues another appointment automatically. It would be necessary to complement this proposal with awareness campaigns and to involve concerned stakeholders.*

**Developments: Partly Implemented**

- a. MDH is currently undertaking a pilot Short Message Service (SMS) project within the Medical Imaging Department to complement similar initiatives within other outpatient clinics. The aim of this project is to minimise the number of no-shows. Through this project, an SMS is sent to patients requesting feedback regarding attendance to an appointment. According to MDH, initial results of this pilot project indicates that no-shows dropped consistently over a period of time. From an opening rate of 20 per cent at the start of the pilot project to 10 per cent, and subsequently dropped further to a consistent <6 per cent for the remainder of the pilot. It is projected that the SMS project be extended further to other departments. It is currently implemented in the Outpatient Department but the plan is to deploy in the Medical Imaging Department too.

**MDH is to complement the Clinical Chairs' clinical duties with administrative direction and control to improve efficiency within their departments**

*Clinical Chairs are to increasingly complement their clinical duties and guidance with administrative direction and control within their areas of responsibility. This will improve efficiency within their respective Departments, as the decision-making processes and monitoring functions could be expedited.*

**Developments: Implemented**

- a. During the past one and a half years, MDH contends that efforts to try and increase engagements by Clinical Chairs and Deputy Chairs have taken place. According to MDH, a series of off-site seminars with overseas, local leadership and management trainers have taken place. Furthermore, regular management meetings with the chairs to try and instil a sense of leadership and management responsibility were undertaken. MDH contends that these initiatives are bearing positive results, particularly with respect to the decision-making process and Chairs' monitoring functions.

**MDH is to extend the use of job plans for all clinicians to enhance individual accountability and monitoring**

*MDH is to extend the use of job plans for all clinicians performing duties within the Hospital, including within the Outpatient Department. This enhances individual accountability as the Hospital can exercise more effective monitoring over throughputs. Within this context, Clinical Chairs are to, as far as possible, ensure that job plans reflect an equal distribution of workload among clinicians.*

**Developments: Implemented**

- a. By the time of writing this Report, MDH extended the use of job plans or daily task sheets for all clinicians performing duties within the Hospital, including within the Outpatient Department. Within this context, all consultants and resident specialists have job plans. On the other hand, Junior doctors are not obliged to be covered by job plans as per Government- The Medical Association of Malta (MAM) agreement signed in May 2017. MDH Management contend that due to the nature of junior doctors' responsibilities, the drafting of the relevant job plans would be impractical. Nonetheless, daily tasks allocated to junior doctors are documented and MDH contends that such documentation serves the same purpose of job plans in terms of embracing accountability and transparency principles.
- b. MDH contends that due to a number of variables before the new outpatient block opens, departmental job plans, currently under negotiations, are subject to change. Variables affecting the situation include the collective agreement with doctors, the progressive increase in doctors over the next few years, social changes which will impact changes in services required which will lead to resource shortages impacting staffing requirements in outpatients. Furthermore, there will also be an impact on staffing requirements due to a change in technology which will see a change from a morning-based outpatient to a full day schedule.

**MDH is to consider publishing information relating to waiting times pertaining to different consultants**

*MDH is to consider publishing real time information relating to the waiting times pertaining to different consultants. This implies that patients together with their referring practitioner can make more informed decisions regarding their care.*

**Developments: Not Implemented**

- a. MDH reported that this will be fully implemented in Phase II of the CPAS Electronic TOR. There is no timeline confirmed yet but MDH contends that Phase II will commence in 2020.

**MDH is to introduce key performance indicators relating to reduction in waiting times**

*The Hospital is to introduce and publish key performance indicators relating to reduction in waiting times. This proposal is intended to further motivate the clinicians to reduce patient waiting times at the Outpatient Department.*

**Developments: Not Implemented**

- a. MDH stated that it is still in the process of identifying and establishing Key Performance Indicators (KPIs) on waiting times at the Outpatients Department. However, the Hospital is still to establish an implementation timeline.
- b. In the case of SAMOC Outpatients, MDH stated that KPIs of waiting times from referrals are being monitored by the Cancer Care Pathways Directorate.

**MDH is to improve data capturing practices relating to referrals, priority assignment, walk-ins and no-shows.**

*MDH is to improve its practices to capture data relating to the referring source, reasons why a particular priority was assigned, for walk-ins and no-shows. These would enhance management control over operations as audit trails concerning patient movement along the Outpatient pathway would be considerably strengthened.*

**Developments: Partly Implemented**

- a. MDH stated that within the planning of the new outpatients building, the Hospital's IT Department is undertaking an overall review of all the IT systems, which are used and which will be needed. This implies that such systems will not be available in the short to medium term.
- b. MDH reported that in the case of Haematology, the referral pathway is being modified through a more focused Ticket of Referral and by capturing data of both referrers and patient's condition.
- c. MDH stated that data capture through Ticket of Referrals is in some cases jeopardised since information therein is not always clearly visible on the paper form.
- d. According to MDH, following the update of the electronic TOR, 20 to 30 referrals a day are being received at the Booking Office electronically from Health Centres and private GPs. This makes up around 10 per cent of total referrals received daily. While this constitutes an improvement, this is still far short of the total referrals received daily.
- e. MDH stated that for TORs which are identified as urgent, there is usually an identifiable comment in the open-ended field to provide an explanation of the current patient symptoms and urgent cases are discussed between Consultants.
- f. Phone calls regarding reasons for walk-ins and no-shows are received by the Booking Office and Help Desk and MDH contend that the reasons given are mostly related to parking issues. In such cases, the Booking Office advises patients to resend the referral and another appointment is arranged by the Booking Office. Furthermore, in the case of no-shows, an SMS system has been implemented to try to reduce the number of no-shows. MDH stated that according to a study carried out by the medical

team following the introduction of the SMS alert system in 2017, the number of Outpatient no-shows (DNTUs) decreased from 30 per cent to 22 per cent. This translates into 40,000 appointments, hence a cost avoidance of 2 million Euros.

### **MDH is to integrate various standalone IT systems into one system**

*MDH is to consider integrating the various standalone IT systems concerning outpatients as a matter of priority. This includes electronic systems pertaining to financial management. This proposal, in conjunction with improvements in data capturing methods referred to in the previous recommendations, would enhance the availability, quality and timeliness of management information.*

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

- a. MDH reported that through the use of the Patient Dashboard application, clinicians already have a view of various clinical patient information available electronically. At present, the system provides a 'one patient profile' to MDH Doctors, which shows investigations results, case summaries, previous surgical procedures, past and pending outpatients appointments and vetting of Medical Imaging results with logs on actions taken. This went live this year in a staggered manner.
- b. MDH stated that more work is being done to capture more information, which is to be used during the outpatient visits. The Hospital noted that by end 2019, initiatives regarding the internal ticket of referral, launch of zero footprint, which is the system which provides access to patient medical imaging, and Pharmacy of Your Choice (POYC) entitlement are in the pipeline to be deployed.

### **MDH is to introduce attendance recording for all hospital staff**

*The Hospital is to give due consideration to introducing electronic attendance recording across the board. This would be in line with generally accepted business practices, particularly as the Hospital employs over 4,300 employees, and has staff engaged with suppliers contracted to provide various services. Furthermore, the Hospital does not have any effective means to monitor the necessary staff movement between the various Hospital Departments.*

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

- a. MDH stated that an electronic attendance verification system is already in use for specific purposes but has not been deployed across the board. Further work is being carried out by the IT department. MDH noted that there are no concrete plans or timelines in this regard, especially as factors are related to collective agreements and not technical, but discussions have been undertaken.

## **Conclusion**

The 16 recommendations proposed in the 2017 Report broadly relate to strategic, operational and administrative capacity issues. This follow-up audit generally showed that most recommendations have been accepted and partly implemented.

The foregoing implies that MDH is still in the process of introducing Outpatient policies, protocols and procedures. This exercise is expected to culminate with the transfer of the Outpatient Department to a new building within the MDH footprint. However, the target date for this important milestone has not been formally established. In the short-term, the Hospital's initiatives to implement NAO proposals have been limited to improving and upgrading current systems. While these initiatives have led to improvements in some areas, waiting time for a significant proportion of outpatients continue to exceed MDH established target of 26 weeks.

# Safeguarding Malta's Groundwater

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## Background

This follow-up audit aims to report on the progress registered since the publication of the performance audit report: *Safeguarding Malta's Groundwater*, which was published in February 2012. Issues and conclusions presented in this follow-up audit reflect the information made available to the National Audit Office (NAO) as at end August 2019.

The 2012 Report concluded that the prevailing and climate change threats to groundwater have generally been identified and that although the implementation of various initiatives had commenced, efforts had to be stepped up to ensure the sustainability of this resource. This Report further noted that the risks and vulnerability assessments undertaken classified the overall status of Maltese groundwater bodies as being '*at risk*'. These assessments attributed this status to excessive over abstraction as well as high nitrates and chlorides levels.

Significant progress had been registered in the implementation of measures listed in the 'The First Water Catchment Management Plan for the Maltese Islands' (WCMP) and, to a lesser extent, in the 'Nitrates Action Programme' (NAP). However, the Water Policy was still in draft form and the 'National Climate Change Adaptation Strategy' (NCCAS), had been officially approved by Cabinet and was waiting Parliamentary discussion. Although a number of measures listed in these two documents were being implemented through other plans, by the time of the Report a number of initiatives remained outstanding awaiting their formal adoption.

This Report further concluded that legal and technical complexities hindered the implementation of groundwater metering, while the installation of meters had progressed significantly in the commercial sector but that related to agricultural sources was re-scheduled for completion by mid-2013. Furthermore, enforcement of the European Union (EU) obligatory NAP has been limited to measures listed in the 2004 programme rather than extended to encompass the initiatives included in the revised and updated version published in 2011. By the time of this Report, the use of nitrates was legally regulated, and the relative enforcement was not proceeding since the farming community was deemed not to be fully aware of its NAP obligations. This Report concluded that the status of Malta's groundwater implied that over time the regulation of this resource was not appropriate.

Major organisational developments that occurred since the NAO's 2012 Report influenced the context of this follow-up performance audit. In 2014 the policy and regulatory functions with respect to water management in Malta were separated, with the policy function being placed on the Energy and Water Agency (then called Sustainable Energy and Water Conservation Unit), whilst the regulatory function remained with the Malta Resources Authority (MRA). Whilst the policy function for water resources management rests with the Energy and Water Agency, the regulatory function rests with the Malta Resources Authority.

## Audit Scope and Methodology

In view of the findings and conclusions emanating from the 2012 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 2012 Report, which sought to determine the degree to which the responsible Governmental entities to ascertain the long-term protection of groundwater. This audit's objectives sought to determine the degree to which:

- a. the prevailing and climate change threats as well as their impact on groundwater have been identified,
- b. the Government has developed the relevant framework to address the current status of groundwater, and
- c. the proposed measures and recommendations to safeguard groundwater are being implemented in an effective and timely manner.

The findings and conclusions presented in this follow-up report are primarily based on documentation reviews, interviews with key personnel at the Energy and Water Agency (EWA) and the Malta Resources Authority. For the purpose of this follow-up audit, the NAO also reviewed case statistics maintained by both these entities.

To illustrate the progress achieved by the above entities in implementing the NAO's recommendations, this follow-up Report reproduces the proposals made in the 2012 Report in italic text. This is followed by an outline of the progress registered. The ensuing text also classifies implementation progress in three self-explanatory categories.

***Research and development relating to groundwater is to be intensified, to provide projections with a higher level of confidence regarding the status of groundwater and the potential threats of climate change***

*Research and development relating to all aspects of groundwater is to be intensified. This will require that the necessary resources be directed towards the concerned entities, including the MRA, the Malta Environment and Planning Authority (MEPA) and the University of Malta. This research will eventually provide projections with a higher level of confidence regarding the status of groundwater and the potential threats of climate change.*

**Developments: *Partly implemented***

- a. The EWA is continuously undertaking research on groundwater. To this effect, Chapter 5 of Malta's 2<sup>nd</sup> Water Catchment Management Plan (2<sup>nd</sup> WCMP) – Water Framework Directive (WFD) Monitoring Networks which was published in 2016 highlights that Maltese Authorities now have increased confidence in the status of groundwater. Nonetheless, this document notes that Malta's Ground water status remains '*at risk*'. However, this document stipulates that a National target for groundwater is to achieve '*Good Quantitative Status*' by 2021.
- b. It is planned that the EWA undertakes further economic assessments on the value of water resources as part of the development process of Malta's 3<sup>rd</sup> WCMP. This process has already been launched in January 2019 through a public consultation. It is envisaged that the 3<sup>rd</sup> WCMP is to be published by March 2022.
- c. Furthermore, the EWA has started the process for developing a Research and Innovation strategy for the water and energy sectors. This strategy is intended to provide a high-level framework for research activity in these two sectors for the period 2021-2030.

***Joint-research studies are to be undertaken on groundwater and the impact of climate change***

*Opportunities to undertake joint-research studies on groundwater and the impact of climate change in collaboration with international institutes are to be explored.*

**Developments: *Partly Implemented***

- a. The Energy & Water Agency (EWA) is currently implementing two long-term joint-research studies on groundwater and the impact of climate change. These studies are being undertaken in collaboration with international institutes as indicated hereunder:
  - The EWA has sourced funding of €232,150 (co-financed by the European Union (EU) and Government at 60 per cent and 40 per cent respectively) under the EU LIFE Programme (Project LIFE IPE 16 MT008, comprehensively amounts to €17 million) to enable the development of 3D-numerical models of the main coastal groundwater systems in Malta. These models will be used to test the resilience of the groundwater systems under various scenarios including those arising due to climate change. This programme started in January 2019 with the involvement of the Centre of Geotechnics of the University of Siena. It is envisaged that this programme will end in December 2019.
  - The same entity is also participating in the EU H2020 TACTIC Project – Tools for Assessment of Climate Change impact on Groundwater Abstraction Strategies, with the EU co-financing 33 per cent of the €34,109 cost. The TACTIC project involves 20 Geological Surveys from 20 different European countries with the aim of developing common mitigation and adaptation strategies for the management of groundwater resources in view of climate change. The TACTIC Project will contribute to easy access of information relevant to climate change assessments. In turn, this information may be used directly or integrated into future decision support systems. This programme which started in July 2018 is envisaged to end in June 2021 across 20 European countries. It is noted that the TACTIC Project forms part of the wider GEO-ERA Programme, under which Malta through the EWA, has secured funding for €86,169.

***Studies relating to the social and financial costs of Malta's groundwater are to be undertaken for the benefit of policy and decision makers and to further raise public awareness about groundwater resource***

*Studies determining the social and financial costs of Malta's groundwater are to be undertaken. These studies are crucial for policy and decision makers since they constitute a critical input for evaluating the cost effectiveness of the proposed measures to safeguard groundwater. The publication of these studies should also be considered in order to further raise public awareness about the value of such a resource.*

**Developments: *Implemented***

- a. EWA has undertaken a study relating to the social and financial costs of Malta's groundwater. The results of this study is presented in Chapter 10.3 of Malta's 2<sup>nd</sup> Water Catchment Management Plan (2<sup>nd</sup> WCMP) – Economic Characteristics of Groundwater Use. This Chapter discusses the economic characteristics of groundwater resources in Malta. The main factors raised relate to the high level of cost recovery in Malta for public water services and the high operational costs of groundwater abstraction, which in the case of the agricultural sector accounted to 14 per cent of the sector's net factor income.
- b. It is planned that the EWA undertakes further economic assessments on the value of water resources as part of the development process of Malta's 3<sup>rd</sup> WCMP. This process has already been launched in January 2019 through a public consultation. It is envisaged that the 3<sup>rd</sup> WCMP is to be published by March 2022.

***Risk and vulnerability assessments are to be publicized to enable greater participation from the public and stakeholders in the public consultation process***

*Efforts to publicize the risk and vulnerability assessments are to be intensified. This will enable greater participation from the public and stakeholders in the public consultation process relating to such assessments. In turn, a broader public debate on these assessments will lend further credibility to the ensuing policies and strategies devised.*

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

- a. A consultation process as indicated in Chapter 13 of the 2<sup>nd</sup> WCMP was initiated in March 2014. This consultation involved the public and other stakeholders concerning management issues related to surface waters. Furthermore, interministerial committees related to the implementation of the Nitrates Action Programme and Farm waste management were also used to elicit water management concerns. This consultation process was concluded during September 2015 through the National Stakeholder Consultation Workshop. During this workshop, the updated draft 'River Basin Management Plan (RBMP)' was presented to national stakeholders.
- b. Besides the consultation process, under the LIFE Programme, a National Stakeholder Water Table was established in 2018. To this effect, 25 stakeholders, representatives of the public and private sector were brought together to discuss water management issues, including discussions concerning the risks and vulnerability assessments. Up to the time of drafting this report, this Committee met three times and discussed the Group's terms of referenced, various issues relating to the quality and replenishment of ground water as well as awareness raising initiatives. It is envisaged that the next meeting of the Water Table is scheduled for September/October 2019. The focus of this meeting will be on the implementation status of the WFD Programme of Measures.
- c. The EWA has also sourced funding of €14 million under the EU Cohesion Fund for the undertaking of a National Water Conservation Campaign (Project CF.PA10.0096). The Implementation of this campaign was launched on the 2 September 2019 and runs till the end of 2022. The aim of the project is to develop a comprehensive campaign on water resources management which aims to raise awareness in all water users in the Maltese islands on the need for the conservation and efficient use of water resources. The national water conservation campaign developed through the project will be a key to increase awareness on the need to optimise the use of water resources in all water users, thus supporting the achievement of enhanced water conservation and efficiency in use levels in the Maltese islands.

### ***The Water Policy is to be finalised in the shortest possible time period, to reap the benefits of implementing the measures included in such policy***

*Whilst acknowledging the importance of considering new developments in the field, efforts are to be intensified to ensure that the Water Policy is finalised in the shortest possible time period. The benefits of formally adopting the Water Policy include the more expedient implementation of the measures therein.*

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

- a. The Water Policy Framework Regulations (Subsidiary Legislation 549.100 dated 23 October 2015) outlines Malta's high level policy objectives for the water sector. These objectives are included in the River Basin Management Plan (Water Catchment Management Plan) and put to practice through the programme of measures. It is noted that these high level policy objectives shall be revisited and updated, and a stakeholder consultation on this process is planned to start in January 2020. The 2<sup>nd</sup> WCMP which covers the period 2015 to 2021 aims to achieve the policy objectives indicated in the Water Policy Framework Regulations. Through the 2<sup>nd</sup> WCMP Malta has committed to achieve good groundwater quantitative status in all bodies of groundwater by 2021.
- b. The conjunctive use of water demand management and water supply augmentation measures for the achievement of sustainable water use in the Maltese islands are outlined in the WCMP. The 45 measures listed in the 2<sup>nd</sup> WCMP are intended to improve the water use characteristics within the Malta Water Catchment District and therefore contribute to the achievement of the Water Framework Directive's good status objectives for inland natural water resources. The measures listed in the Malta's 2<sup>nd</sup> WCMP has an implementation period of up to 2021.

***Policies and strategies are to provide financial estimates of the measures proposed to facilitate project prioritization and decisions***

*Whenever possible, policies and strategies are to provide financial estimates of the measures proposed. Costs estimates should also be included in draft documents. These documents broaden the discussion about the subject matter by facilitating project prioritization and decisions about the feasibility or otherwise of the proposed measures.*

**Developments: Implemented**

- a. In addition to the 45 measures referred to in Chapter 9 of the 2<sup>nd</sup> WCMP, which are intended to improve the water use characteristics within the Malta Water Catchment District, Chapter 11 presents the Cost of the Programme of Measures (PoM) which provide financial estimates of the respective measures proposed as well as their source of financing. This document cites that €30.5 million is the total cost to be incurred by the private and public sector over the period 2015-2021 with reference to the basic measures which have a significant bearing on water management. The implementation cost of inland water related measures is estimated to be €156 million.

***Appropriate administrative capacity is to be in place to enable the timely implementation of the measures***

*Responsible entities are to initiate action more expediently to ascertain that the appropriate administrative capacity is in place and also to enable the timely implementation of the measures. This will enable better planning and more effective implementation of the measures.*

**Developments: Implemented**

- a. Following the separation of the policy and regulatory functions for the energy and water sector in 2014, the water policy unit started to form part of the Energy and Water Agency. The regulatory functions were retained by the Malta Resources Authority. Since then, the EWA, with a total of 50 employees, contends that the appropriate administrative capacity is now in place, as the Water Policy Unit within it now employs 14 officers as opposed to the previous three officials in post at 2012.
- b. Additional capacity building initiatives were further made possible through the use of EU Funds in conjunction with projects related to the implementation of the 2<sup>nd</sup> WCMP's Programme of Measures. These include the EU Cohesion Fund project that engaged three officers, the EU LIFE Integrated Project with seven officers while the INTERREG Project employed another official. Furthermore, on 3<sup>rd</sup> September 2019 an officer was employed with the Water Policy Unit financed under a project part-financed by the ENI-CBCMED Programme.

***The national legal and regulatory groundwater framework needs to be broadened to include climate change adaptation***

*The national legal and regulatory groundwater framework needs to be broadened to include climate change adaptation. This would facilitate efforts in the monitoring of initiatives. Towards this end, such a framework is to encompass reporting procedures. In addition, it is crucial that these initiatives are supported by the appropriate administrative capacity.*

**Developments: Implemented**

- a. Chapter 12 of Malta's 2<sup>nd</sup> Water Catchment Management Plan published in 2016 provides a strong link between the implementation of the Water Framework Directive and adaptation to climate change impacts since:

- The WFD provides an opportunity for managing long-term impacts of climate change on the water environment; hence providing an opportunity for implementing adaptation action within the water sector.
  - Adaptation needs to be considered in the WFD implementation to ensure resilience of WFD measures or actions to climate change impacts and thus to ensure that WFD objectives will also be met in a changing climate.
- b. Therein is included a comprehensive assessment of the climate change impacts on water resources in Malta and assess the resiliency of the performance of each of the 48 measures under a climate change scenario, with the main objective to address climate change impacts on the performance of Water Framework Directive (WFD) measures.
  - c. As indicated in recommendation vii of this Report, the groundwater framework is now supported by a more robust administrative capacity.

***The implementation of the installation of groundwater meters to private sources is to be given utmost priority***

*Whilst acknowledging the complexities involved in the installation of groundwater meters to private sources, the implementation of this measure is to be given utmost priority. Groundwater metering will not only provide valuable information on water use but will also facilitate control over excessive and illegal abstraction.*

**Developments: *Implemented***

- a. The project for the installation of borehole meters which started in mid-2012 was completed by the Water Services Corporation in mid-2016. This resulted in the installation of 3,118 meters at a cost of €4.5 million. This project enabled data transmitting units to be installed on private groundwater sources. Through this project, the Water Service Corporation data regularly analyses data collated as part of the national groundwater management framework. Metering data from private boreholes collected by the WSC shows that during 2015 to 2018 the average annual yield (volume of abstracted groundwater) from groundwater sources was on average less than 2,000m<sup>3</sup>/borehole. During the same period, the total annual groundwater abstraction from these metered sources amounted to around 2.3 million m<sup>3</sup>. Hence metering information is passed to the Energy and Water Agency for analysis, including the development of a corrected model to assess comprehensive groundwater abstraction from these groundwater systems. It is noted, however, that the abstraction from metered boreholes amounts to a part of the total private abstraction since one has to take into consideration unmetered boreholes – in particular ‘spieri’ located in the perched aquifer systems which cannot be metered due to the absence of fixed pumping equipment, abstraction from springs as well as the existence of illegal abstraction.
- b. A specific action from the LIFE Integrated Project, which is scheduled to start during the first quarter of 2020 and be completed by end 2023, will further contribute to the groundwater meter analysis. This project will make use of satellite technology (Copernicus Programme) for the remote correlation of groundwater abstraction data with agricultural land use. This will facilitate the use of metering data for groundwater abstraction management. The LIFE Integrated Project objective, with the support of the Ministry for Sustainable Development, the Environment and Climate Change, is also to create a decision support tool intended for the public authorities for the management of water in the agricultural sector.

**To evaluate the potential risks and benefits of applying fiscal measures to minimize over abstraction of groundwater**

*Consideration is to be given to evaluate the potential risks and benefits of applying fiscal measures to minimize over abstraction of groundwater. In this regard, economic studies, including those related to groundwater price mechanisms by various entities, may serve as the basis for exploring the impact of such fiscal measures.*

**Developments: Implemented**

- a. To ensure that national water demand is addressed in a sustainable manner, fiscal instruments are just one of the tools which can be considered for the management of groundwater resources. The substitution of supply with New Water is considered as another measure to ensure that national water demand is addressed. Moreover, the New Water incentives tariffs aims to encourage the use of more sustainable resources, especially for the agriculture, industry, landscaping and other applications use.
- b. Chapter 10 of Malta's 2<sup>nd</sup> Water Catchment Management Plan entitled 'Economic Analysis of Water Use', highlights the results of assessments on the social and financial costs of Malta's water resources. These results were established during the development of Malta's 2<sup>nd</sup> WCMP. The main objective regarding the economic characteristics of groundwater resources in Malta, was to assess the importance of this resource to the development of the various economic sectors. Moreover, another purpose was to determine the disproportionate costs (if any) of the significant water uses to attain the objectives of good status by 2021.

**Appropriate resources are to be made available to conduct information campaigns for the farming communities about the second NAP, and to undertake the information campaign regarding the Life+ project within the envisaged timeframes**

*The appropriate resources are to be made available to conduct information campaigns intended to inform the farming community of their obligations emanating from the second NAP. In addition, the information campaign project undertaken under the Life+ project should be carried out within the envisaged timeframes. The expedient undertaking of information campaigns minimizes groundwater contamination and enables the competent Authority to embark on enforcement action. Moreover, a farming community which is appropriately informed of its obligations minimizes the risks of a significant non compliance rate with regards to the implementation of EU programmes.*

**Developments: Implemented**

- a. The Nitrates Action Unit, established in 2011 and forming part of the Regulatory Section within the Agricultural Directorate, has three inspectorate teams with a total of six employees responsible for the administration to implement the Nitrates Action Programme. Since its inception this Unit conducted a survey, which involved 35.2 per cent of the bovine farming population, to evaluate the levels of nitrogen in slurry.
- b. Furthermore, the Nitrates Action Unit delivered an information and communications campaign designed to provide farmers and livestock breeders with information and training concerning the European Nitrates Directive. This campaign, which was targeted to commence in September 2011, was delayed till mid-2012 due to an absence of a project manager and administrative team. The campaign was possible through the LIFE project. Due to the mentioned delay, the deadline for this campaign was extended by a further six months and eventually all the actions were concluded by end June 2014. Through this communication campaign 910 farmers and livestock breeders were given training on the Nitrates Directive. Moreover, 519 livestock breeders were trained about storing and transporting manure directly on their farms. Another 34 breeders were given the same training at the InfoNitrates office.

### **Comprehensive and integrated management information systems should be expedited**

*Efforts to set up comprehensive and integrated management information systems such as those being considered by the (former) MEPA and the Nitrates Action Unit should be intensified. These databases are considered critical to policy and decision-making, as well as to enable the monitoring and the relative enforcement of measures relating to safeguarding groundwater.*

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

- a. The Energy and Water Agency has recently embarked on a Cohesion Fund Project (CF.PA10.0096) which includes a component aimed at the integration of hydrological (including groundwater) monitoring data on a single data management platform. This component will provide a unique integrated water management tool to support the optimized management of natural water resources in the Maltese islands. The implementation of this project started in the second quarter of 2019 and will run till end 2022, at an estimated cost of €295,000 for the data management component. It is noted that this component forms part of a more comprehensive project to upgrade monitoring infrastructure for which around €7 million have been allocated through the Cohesion Fund.
- b. The whole project envisages the development of a Data Management System to facilitate the storage of data collated from the CF Project's Monitoring Component and the analysis/assessment of this data. The system shall also enable the integration of all existing hydrological data in order to provide the framework/tools necessary for the assessment of historical trends.

### **Enforcement action related to various aspects of the legal framework on groundwater should be intensified**

*Enforcement action related to various aspects of the legal framework on groundwater should be intensified. Such initiatives are particularly necessary in areas relating to groundwater contamination. A case in point is the broadening of enforcement action beyond the cross-compliance requirement of EU projects, such as in the case of the NAP.*

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

- a. During 2012 to 2018, the Nitrates Action Unit carried out 97 spot checks relating to the Nitrate Action Plan, to farmers submitting an application for aid under applicable support schemes. These spot checks form part of the Nitrate Action Plan enforcement process and forms part of Cross Compliance in accordance with Council Regulation (EC) 73/2009 and Commission Regulation (EC) 1122/2009. To this end, during the period in question, the number of annual spot checks amounted to 34 (7.39 per cent), 17 (5.15 per cent), 13 (4.15 per cent), 3 (2.04 per cent), 8 (3.60 per cent), 7 (3.22 per cent) and 15 (4.80 per cent) respectively. These enforcement action results indicate that the department has always complied to at least to the one per cent spot checks as requested by the Council Regulation with regards to farmers submitting an application for aid under applicable support schemes.
- b. Although spot-check compliance with the NAP in conjunction with application for EU funded aid is acknowledged, this state of affairs omits enforcement related measures with respect to the remaining registered farmers who have not applied for any financial assistance. During 2012 to 2018, the remaining registered farmers amounted to, 9,311, 9,573, 10,178, 11,202, 11,047, 11,561 and 12,331 respectively. Within this context, it remains questionable whether this level of spot-checks is adequate to cater for the inherent risks to groundwater through the use of nitrates by the farming industry. These figures represent around 60 per cent of registered farmers.
- c. Since 2012, the Malta Resources Authority (MRA), whose competence actions in relation to groundwater source registration and source metering fall, have amended the administration framework of this

groundwater legislation. Such amendments refer to the inclusion of administrative fines to facilitate enforcement actions whenever cases of illegalities are encountered.

***To compile enforcement plans as internal documents to complement all strategic and legislative measures***

*Consideration is to be given to compile enforcement plans as internal documents to complement all strategic and legislative measures. Enforcement plans are to detail the administrative capacity requirements and the approaches to be adopted. Such plans will render enforcement more effective and transparent.*

**Developments: *Partly Implemented***

- a. MSDEC contended that the signing of a Co-Operation Agreement is in the pipeline to facilitate the co-ordination of the implementation of the Nitrates Directives 91/676/EEC for the protection of waters against pollution caused by nitrates from agricultural sources. This Agreement involves the Agriculture Directorate, the Environment and Resources Authority (ERA), the Sustainable Energy and Water Conservation Unit. The Policy Development and Programme Implementation Directorate will also establish guidelines for monitoring the implementation of the Nitrates Action Programmes in order to delineate the roles in implementation of the Nitrates Directives and to facilitate the exchange of information between the respective authorities. However, discussions to implement such an Agreement have been put on hold by high level direction, due to the requirement of amending the current regulations with regards to groundwater and water framework regulations.
- b. To date, the only documented enforcement plans remain those related to the NAP. Furthermore, these plans relate to those farmers applying for EU funded financial assistance. This follow-up audit was not made aware of any other enforcement plans in connection with the broad legislative framework in place to regulate the conservation and use of ground water.

**Conclusion**

The conservation, preservation and sustainable use of ground water is a complex, highly technical and financially material endeavour. The economic and social benefits related to groundwater sustainability were the drivers for this follow-up audit. Within this context, this follow-up audit acknowledges that initiatives taken in this area will bear fruit in the long-term, in particular due to the long natural response times of these natural underground systems. Furthermore, it is also acknowledged that the national policy objective established under the 2<sup>nd</sup> WCMP has committed to achieve good groundwater quantitative status in all bodies of groundwater by 2021. Nonetheless, it remains critical that the competent national authorities implement programmes to reverse the 'at risk status' of Malta's groundwater expediently and effectively.

Since the NAO's 2012 report, in accordance with good governance practices, EWA and the MRA now have separate and distinct roles, which are intended to minimise the risks of conflict of interests while clearly delineating the roles and responsibilities of the implementor and regulator respectively. Substantial progress has also been registered in beefing up EWA's administrative capacity which enabled this agency to assess more accurately the status of Malta's ground water, collate ground water replenishment and usage data. Additionally, there is now a higher degree of fiscal motivation to minimise and shift from using ground water to New water within the agriculture industry. Progress and preparatory work are also among the more important initiatives for the implementation of the 2<sup>nd</sup> WMCP. Moreover, national competent authorities secured funds to co-finance groundwater related projects through EU programmes.

While it is commendable that the initiatives referred in the preceding paragraph have commenced, most have not yet been concluded. This is understandable when the projects are of a long-term nature. However, in many instances, valuable time has elapsed prior to the start of implementation of the NAO's proposals. These delays were mainly due to the lengthy application processes for securing substantial EU Funds. Another contributory

factor to lead times concerned the vetting of major EU projects. Moreover, enforcement is still a weak link as a comprehensive framework remains lacking and spot-checks still predominantly focus on a segment of potential risks to Malta's groundwater. However, NAO acknowledges that in the coming years, the €7 million monitoring project will provide new tools to the involved public agencies to broaden groundwater monitoring structures.



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Follow-up Reports by the  
Information Technology Section

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# Mater Dei Hospital

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## Background

In 2016, the National Audit Office (NAO) published an Information Technology (IT) audit report on Mater Dei Hospital (MDH), Malta's main hospital that provides the public with acute general health care services. Essentially, this audit examined MDH's IT operations and IT-enabled investments to determine whether MDH had the necessary controls in place 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 recommendation 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 by this Office and implemented the appropriate corrective measures, in line with the recommendations highlighted by the NAO in the 2016 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, to obtain an update of the actions taken and verify whether MDH had addressed the highlighted issues. In turn, MDH compiled and submitted detailed feedback by updating 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 exist along the process leading to the resolution of an issue.

## Key Issues

### *Allocation of further Human Resources*

*The NAO observed that in the majority of the IT software applications reviewed, only one Information and Communications Technology (ICT) Application officer was supporting a particular system. On the other hand, the Networks team within the Information Management and Technology (IM&T) unit was manned by only two officials who were involved in the planning of the migration of a number of IT software applications to Malta Information Technology Agency's (MITA) Segregated Hosted Environment (SHE), monitoring of the backup*

processes and the management of the MDH server room infrastructure amongst others. Furthermore, at the time of the IT audit, these two officials resigned from MDH and as a temporary measure, some ICT Application officers were assigned the duties of the IM&T Networks team.

The NAO recommends that in cases where only one individual is supporting a critical software application within MDH, additional resources are allocated to remove the dependency from these individuals. Moreover, sufficient human resources should also be engaged to fill in the posts vacated within the Networks team.

### **Developments: Significant progress**

Since 2016, the Ministry's Information Management Unit (IMU) and the IM&T unit underwent substantial reorganisation. This resulted in a better IT management setup with the availability of additional IT officers to support and administer MDH IT resources. Having said that, at the time of this follow-up audit, the NAO was informed that a number of approved human resources vacancies had yet to be filled by the Ministry's IMU.

### **IT Training**

The NAO recommends that, the IT Training section should consider offering e-Learning or m-Learning facilities to the end users according to their job function within MDH ... through the IT Trainers portal.

### **Developments: Significant progress**

Apart from training delivered both individually as well as in groups, the NAO observed that MDH also offers eLearning through the Ministry's Intranet site<sup>1</sup>, whereby Doctors and Nurses can follow all lectures, online tutorials and relevant materials at their own pace.

### **Disposal of Assets**

The NAO noted that the IT Technical Support team keeps a record of all the hardware equipment that will be disposed of and formats the hard disk whenever a faulty or obsolete PC or laptop is to be disposed of. However, the NAO observed that the IT Technical Support team does not securely wipe hard disks whenever a PC or laptop is transferred to a different user or disposed of.

In this regard, the NAO recommends that the IT Technical Support team adopts the Government of Malta Information and Communication Technology (GMICT) Desktop Services Procedure (GMICT R 0084:2009) in terms of PCs or laptop disposal and data wiping and ensures that data on equipment being disposed of could not be retrieved by any third-party.

### **Developments: Fully implemented**

The NAO is pleased to note that MDH had drafted a standard operating procedure for the disposal of workstations, which are beyond economical repair or had exceeded above eight years of use. In this scenario, the hard disk is physically removed, labelled according to the workstation's inventory number and kept for two weeks. After two weeks<sup>2</sup>, the hard disk is wiped (if it is still operational) and then scheduled for shredding at a local third-party operator. The NAO noted that MDH had signed an agreement with this operator for the shredding of hard-disks. MDH personnel oversees the shredding process of hard-disks and upon completion, this operator issues a 'Certificate of Destruction', which will include the total amount of hard-disks that were shredded on that date.

<sup>1</sup> [https://health.intra.gov.mt/mdh/ITTrainers/\\_layouts/15/start.aspx#/SitePages/Hospital%20IT%20Training%20Unit.aspx](https://health.intra.gov.mt/mdh/ITTrainers/_layouts/15/start.aspx#/SitePages/Hospital%20IT%20Training%20Unit.aspx)

<sup>2</sup> This procedure is applied in the event that data needs to be retrieved from the hard disk by an authorised user.

### **Obsolete operating system and hardware**

*The Access Dimensions application has a Microsoft SQL database with two instances. One instance resides on a dedicated Microsoft Windows 2000 server, whilst the other instance resides at MITA's SHE. With regards to the first instance, although MDH is aware that the Microsoft Windows 2000 server is obsolete and no longer supported by Microsoft, the server hardware is quite old and thus has its limitations. The NAO is of the opinion that the above-mentioned server is decommissioned, and the SQL database is migrated on a virtual environment and hosted at MITA's SHE. In this regard, the NAO was informed that discussions are currently underway with MITA on the possibility of migrating the current setup to Microsoft Windows server 2012 and hosting it on MITA's SHE.*

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

The NAO noted that in October 2017, the Access Dimensions application was migrated on a Microsoft Windows 2016 operating system, which is hosted at MITA's SHE, whilst the old Microsoft Windows 2000 server was decommissioned accordingly.

### **Management of RIS application and user licences**

*Since the Radiology Information System (RIS) application can only be accessed if the application is installed on specific workstations, whenever a new RIS installation is required, an incident request is raised with MITA's Service Call Centre. However, the NAO was verbally informed that there were instances in the past whereby the RIS application was installed on workstations without the ICT Manager's consent, when the latter was unavailable. This contributed to the further saturation of user licenses and the hardware and software inventory not being updated. In this regard, the NAO is of the opinion that RIS installations should always be approved by the ICT Manager to ensure that such installations are kept under control.*

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

The NAO was informed that a procedure is in place whereby new RIS application installations must be approved by the ICT manager, to ensure that the hardware and software inventory is kept updated.

In terms of user licences, whilst more user licences were procured, a process is in place whereby inactive user login sessions are disconnected manually, to limit the saturation of these user licences.

### **Extraction of data from the old Patient Administration System**

*The NAO was informed that the previous Patient Administration System (PAS) application can only be accessed to view past records and is not being kept in sync with the current Clinical Patient Administration System (CPAS) application. When the CPAS application was launched in 2013, only some data, such as patient demographics and future appointments, was migrated from the previous PAS application. At the time of the IT audit, MDH did not intend to switch off the PAS server unless all the data residing on it was completely extracted and presented in a readable format. In this regard, MDH held a number of discussions on the possibility of extracting such a large amount of data from the old system, filter all the data and try to match all the tables of the old system with the tables of the new system. The NAO was informed that even though MDH had approached local third-party suppliers, no one is willing to take the risk in doing this laborious task. In this regard, MDH are looking into other possibilities of extracting data, which may involve foreign third-party suppliers. In this regard, the NAO is of the opinion that all the relevant data is completely extracted from the PAS application and presented in a readable format.*

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

Since the publication of the 2016 IT audit report, the old PAS server was decommissioned whilst the PAS application was migrated to a new virtual environment at MITA's SHE. Currently, the PAS application was put offline and MDH are monitoring the impact that this might have on the CPAS application, before MDH kicks off the decommissioning process of the virtual environment hosting the PAS application at MITA's SHE.

### ***The importance of updating patient demographics on the Clinical Patient Administration System***

*Taking into consideration that the CPAS application provides patient demographics to a number of critical applications within MDH, the NAO recommends that MDH should continuously emphasise on the importance of updating the patient demographics and to provide the necessary enhancements to the 'Patient Interface' on the CPAS application.*

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

In terms of patient demographics, the NAO noted that a number of enhancements were implemented on CPAS, including:

- The age is automatically calculated upon inputting the patient's date of birth.
- The age field is no longer calculated/displayed in years only, but also in months and days. This is particularly useful when the age of a new born baby is displayed in months and/or days.
- The end user now has the option to input the patient's second address, just in case the patient has an alternative/summer residence.
- A new function was added providing patients with the option of not disclosing details of their admission to hospital to third-parties at MDH's main reception.

Furthermore, the end users were instructed to update the CPAS patient demographics at point of contact with the patient. In addition, the NAO verified that changes were made on CPAS whereby a number of fields are obligatory and must be filled in by the end user, before saving episodes and patient details. Thus, whenever new patient details are inputted on CPAS, the end user must input the patient's ID card number, surname, name, address 1 and 2, locality, phone number, mobile number, date of birth and gender in their appropriate fields.

### ***Allocation of slots when setting up an appointment in the Clinical Patient Administration System***

*The NAO observed that certain users are having difficulties finding available slots allocated in a particular clinic, when setting up an appointment. This is due to the fact that some clinics are overloaded with patient appointments especially at the outpatient's department. In this regard, the NAO was informed that Clinical Nurses, assisting the respective Consultant, used to have this functionality when using the previous PAS application. However, when the CPAS application was implemented in 2013, this functionality was no longer available and thus the Clinical Nurses have to contact the CPAS team every time they need to add new slots.*

*The NAO recommends that MDH should look into this matter and evaluate whether elevated privileges can be assigned to specific users so that they can allocate new slots to a particular clinic when applicable.*

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

Certain elevated privileges are now assigned to specific users (clinical nurses) to be in line with the business process. As a result, these users can add priority slots, but they cannot block or move any available slots. Thus,

in the event that a consultant would like to move or add an extra date, the clinical nurses do not have access rights to do so and thus they have to contact the CPAS team accordingly.

### ***Audit trail functionality disabled on Dakar application***

*At the time of the IT audit, the NAO was informed that the audit trail functionality on the Dakar application was disabled as it was generating too many logs, which affected the performance of the system. Having an audit trail in place can provide a means to help accomplish several security-related objectives, including individual accountability, reconstruction of events, intrusion detection and problem analysis. In this regard, MDH cannot currently identify who accessed the application, when and what data was inputted, modified or deleted in the Dakar application.*

*Thus, the NAO recommends that key stakeholders within MDH together with the local third-party supplier should review the current Dakar application and server specifications and come up with a solution to re-enable the audit trail functionality without impacting the performance of the system.*

### **Developments: Fully implemented**

In June 2019, the Dakar application was migrated on a number of virtual environments hosted at MITA's SHE. During the migration process, the payroll data was shrunk from 100Gb to 10Gb, as all the data prior to 2019 was archived, and to this extent, the Dakar's audit trail functionality was re-enabled.

### ***Various issues found on the Dakar application***

*The NAO is concerned on the high dependency on manual input on the MDH Dakar application, making it prone to human error. To mitigate these risks, the NAO recommends that MDH's management reviews its payroll business process holistically and assess the possibility of enhancing the current system.*

### **Developments: Partly implemented**

Following the NAO's IT audit report, the NAO observed that MDH has reviewed the payroll business process and noted that:

- With reference to pro-rata calculations, affecting any type of 'variable' allowance or deduction, to-date, most of the pro-rata calculations are still being calculated manually. However, MDH are currently liaising with OPM and Gozo Salaries to verify if any of these pro-rata calculations can be automated on MDH Dakar application.
- With regards to 'negative' payroll adjustment unfortunately, to date, this procedure still applies and thus the system does not process the amount' as a deduction by default.
- In terms of records of attendance, MDH has installed 10 electronic punch clocks, whereby two were installed at the main reception area, one at the administration section, two at the Child Development Assessment Unit (CDAU), one at SAMOC and the remaining four were installed in different ward areas. These electronic punch clocks are solely being used by G4 personnel, carers and new doctors who were recently employed with MDH. All the remaining personnel at MDH are still recording their attendance manually on the attendance sheets provided (the latter are still being printed in batches).
- In relation to the recording of study leave in hours, the MDH Dakar application has now been modified so that the end user can input study leave in hours.

- Finally, in terms of the visibility of vacation leave and sick leave entitlements, as of next year, MDH intends to launch a new web instance (Dakinet) whereby MDH users could apply for vacation leave, view their rosters online and check their vacation/sick leave balances accordingly.

### **Disposal of information**

*Since MDH holds a considerable amount of personal data, which is mostly retained in patients' medical files, and in order to maintain patient confidentiality at all times, hard copies of patients' medical records should be destroyed by shredding or incineration. In addition, CDs, DVDs, hard disks and other forms of electronic data storage should be overwritten, securely wiped or physically destroyed.*

*The NAO recommends that MDH should ensure that the disposal of information on all types of electronic media should follow the same procedure. As a result, a policy should be drafted and communicated internally describing the procedure that should be adopted for the disposal of any confidential information, which may reside electronically on flash memory devices, CDs, DVDs, etc., through shredding, secure wiping and/or physical destruction accordingly.*

### **Developments: Fully implemented**

Following the publication of the IT audit report, MDH had drafted a retention policy for both paper and electronic data. Since then, this retention policy has been reviewed and re-issued internally.

In terms of the disposal of electronic data, the NAO noted that electronic data residing on a hard disk is securely wiped (low-level drive format using a specialised software) to ensure that no data can be retrieved. On the other hand, if the hard-disk is beyond economical repair, the hard-disk is shredded at a local third-party operator, against a 'Certificate of Destruction', as highlighted earlier in this report.

### **Management of user accounts**

*Whenever a user retires or no longer requires access to the system, the NAO was informed that the user account is disabled only if the ICT Application officer is informed through the Government e-mail. A similar procedure is applied for users who are on prolonged leave, career break or maternity leave, whereby the user account is disabled until the user returns to work. In this regard, the NAO recommends that an internal policy is drafted, which clearly indicates that whenever a user retires or no longer requires access to the system, the IM&T unit are informed, and the respective user accounts are disabled or deleted accordingly.*

### **Developments: Fully implemented**

The NAO was informed that an internal policy as recommended above is now in place, whereby every Head of Section is bound to inform the MDH IT Support Services section to manage the respective user accounts accordingly.

### **Offline mailboxes**

*The NAO observed that offline mailboxes of personal or generic e-mail accounts are being stored locally on the end users' PC or laptop hard disk. Since the end users are not allowed to store offline mailboxes on the MDH shared network drives, the NAO recommends that the IM&T unit should provide guidelines to all the end users within MDH on how to backup and securely store offline mailboxes.*

### **Developments: Fully implemented**

Notwithstanding that MDH users can follow instructions on how to manage their personal e-mail account from MITA's portal<sup>3</sup>, including how to set up and backup an offline mailbox (archive) in Outlook, the NAO is pleased to note that MDH had issued an additional circular to all MDH users reminding them how to set up an offline mailbox and archive e-mails locally on their workstation, as well as how to back up their offline mailboxes (.pst files) on a personal USB pen drive for instance.

### **MDH website**

Whilst reviewing the MDH website in terms of usability and content management, the NAO noted that the MDH website has a number of broken links or missing information:

- when clicking on the 'Management' tab, no information is displayed as the content is still being updated;
- under the 'Wards' tab, a number of wards have missing links and are not updated;
- similarly, the 'Day Care', the 'Outpatient department', the 'Clinical services' and the 'Support Services' tabs have a number of missing links and are not updated; and
- the 'Search' function within this website does not work. For instance, when searching for the 'Ophthalmic ward', within this site (not the domain), the 'Search' function does not return any result.

During the course of the IT audit, the NAO provided a list of the above-mentioned findings to the Ministry's IMU (Health) to address these issues with the relevant stakeholders. However, at the time of the drafting of this report, the above-mentioned findings still existed. In this regard, the NAO recommends that these shortcomings should be rectified as early as possible and that Management ensures that the website is updated and made more informative to the general public.

### **Developments: Partly implemented**

The NAO verified that all the broken links, which were identified during the IT audit, were rectified. Similarly, the searching functionality on the MDH website is currently working well. Having said that, the NAO noted that a number of tabs, such as the 'Wards' and the 'Outpatient Department' were not updated and still have a number of missing links. In this context, the NAO recommends that MDH should ensure that MDH's website is fully updated.

### **Standard operating procedures and downtime procedures**

The NAO noted that various MDH officials have drafted a number of Standard Operating and Downtime procedures for most of the software applications selected for the purpose of this IT audit, such as CPAS and Centricity RIS and PACS. Whilst the NAO commends the initiative in drafting these procedures, the NAO recommends that MDH should ensure that every software application should follow the same route and that these documents are continuously updated. Furthermore, every MDH user should be aware of and follow these procedures, especially whenever there is a disruption or total failure in the IT systems or network infrastructure.

### **Developments: Significant progress**

The NAO was informed that downtime procedures for core IT systems are now being reviewed regularly. During both scheduled and unscheduled downtime, all MDH users are informed through an internal memo with specific instructions on what services will be impacted and type of downtime procedures to be followed. Moreover, more IT systems are now being identified to be able to document the respective downtime procedures.

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<sup>3</sup> <https://mitasupport.gov.mt/en/emailtechnical/Pages/Email-Technical-Questions-and-Answers.aspx>

However, due to the lack of identified system administrators for the respective solutions, unfortunately, the necessary expertise is not always readily available to draft standard operating procedures of such solutions.

## Conclusion

Overall, the NAO commends the efforts made by the Management of MDH, the Ministry's IMU and key stakeholders within MDH to take on board the recommendations that were made in the 2016 IT audit report. In fact, this follow-up IT audit report indicates that substantial progress has been registered in approximately 80% of the key recommendations, which were either fully implemented or where significant progress was made.

Furthermore, the NAO acknowledges the following key strategic initiatives that MDH has embarked on following the publication of the 2016 NAO IT audit report:

- Restructuring of the MDH IT management setup and engagement of additional IT related human resources.
- Further consolidation of MDH IT systems within MITA's SHE.
- Restructuring and consolidation of the current MDH Dakar payroll system with the Government's central payroll system.

# Medicines Authority

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## Background

In July, 2012, the National Audit Office (NAO) published an IT full audit report which reviewed, amongst others, the entity's IT strategy, procurement processes, supplier management, software and infrastructure management, antivirus and software patch updates, data management and business continuity plans.

## Audit Scope and Objectives

The objective of this follow-up audit was essentially to determine whether Management had implemented the appropriate corrective measures to address the issues raised, in line with the recommendation made by the NAO in the previous audit 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 action. For reference purposes, a summary of the followed up findings and respective recommendations, which featured in the 2012 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

### *Information Technology Unit*

*The Medicines Authority is currently working on a tender for a Licensing System and the process to develop the tender document started with the support of the MITA.*

*The Medicines Authority has also issued and adjudicated a tender for the development of a new corporate website which will include enhanced functionalities for the Malta Medicines List. The NAO is informed that this website is expected to be implemented in the third quarter of 2012.*

*... NAO believes that the functions of the IT unit should not be dependent on one member of staff.*

### **Developments: Fully Implemented**

The NAO noted that in February 2013 the Medicines Authority issued an EU-wide tender for a new Licensing Management Solution. However, the adjudicating committee concluded that the offers received did not meet the business requirements of the Authority.

The Authority reviewed some software applications deployed in other member states. The NAO was informed that in 2014, the Authority decided that the most suitable system was the Irish system in terms of both functionality and cost. The Authority reached an agreement with the Irish agency and the system was implemented. Currently the Licensing department is configuring the business processes and testing the system. The system should be fully functional in the coming months.

The Authority issued a tender for a new website and online database of medicinal products. Both services were implemented.

The Medicines Authority trained an executive officer from Administration to handle all first line IT support.

### **IT Strategy**

*The NAO suggests that the Medicines Authority has a formally documented IT strategy ...*

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

The NAO was informed that since the Medicines Authority operated in a dynamic environment, which was constantly changing and the entity is growing at a rapid pace, it was decided that IT initiatives would be included in the corporate strategy and annual operational plan.

The NAO was given a copy of the 'Strategy, Operations and Risk Management Policy (P-RM01-03)' and noted that this gives a sound foundation for an IT strategy.

### **IT Budget**

*...the IT services provided by MITA are covered by a Ministry contract and not a contract specific to the Medicines Authority.*

*...The NAO also observed the high budget for the new IT investment planned in 2012 and thus reviewed its makeup. NAO noted that the bulk of this budget is made up of the procurement of a new licensing system.*

*The NAO recommends that as a best practice, the Medicines Authority carry out an exercise to analyse the cost/benefit of its Information Technology and Information Systems operational costs. This analysis would be one of the important factors in the decision process for the future planned Information Technology and Information Systems procurement.*

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

The NAO observed that in April 2015, a new service contract (Ref SE/15/473) was signed between MITA and the Medicines Authority. IT services and products are now funded directly by the Medicines Authority.

The NAO noted that the Medicines Authority did not carry out a formal and documented cost/benefit analysis; however, prior to the procurement of the new IT system, the Authority reviewed the costs of the IT systems operational at other member states. The NAO was provided with a copy of the minutes of the Management meeting held on the 29<sup>th</sup> October, 2014 which referred to the presentation and Management approval of a Memorandum of Understanding between the Medicines Authority (Malta) and the Health Products Regulatory Agency (HPRA) for collaboration with regards to the Licensing Management Solution.

### **Hardware Project Life Cycle**

*... the Medicines Authority procures most of its IT equipment through the PC leasing scheme. Other IT equipment, which may be needed, but is not covered under such agreement, is procured by the IT Unit...*

*The NAO recommends that the Authority adopts the 'Desktop Services Procedure (GMICT R 0084:2009)' in terms of PC Disposal and Data Wiping, so as to ensure that deleted data may not be retrieved by any third party.*

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

The NAO noted that PC leasing was no longer an option and thus the Medicines Authority was procuring all its hardware.

The NAO noted that when PCs and/or laptops were decommissioned or transferred to other Ministries, the data on the hardware was wiped out using Darik's Boot and Nuke (DBAN) disk erasure as advised by MITA and as per *GMICT R0084:2009*. However, upon enquiry the NAO observed that no record of this was being kept and suggested that a sign-off document would be kept, recording the details of the hardware that was being wiped out from data, the person who carried it out and the date when this was done.

### **Software Project Life Cycle**

*The NAO thus recommends that the Authority follows a software project life cycle whereby it has a structured way of building/procuring new IS and documenting the steps to be followed when enhancements to these systems are made...*

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

The Medicines Authority agreed that a project life cycle methodology should be in place. The NAO was informed that the Authority adopted the PRINCE2 project management methodology.

The IT administrator confirmed that when acquiring new IT services or products, the Authority goes through the following steps: the business requirements are identified, an RFQ/tender is issued, offers adjudicated and supplier is selected. The selected vendor will then commence implementation.

In line with the above the NAO noted that when the Medicines Authority procured the New Licensing Management System the above steps were followed *i.e.* a tender was issued, adjudicated but was not awarded.

### **Third Party Suppliers**

*... During the course of this audit, NAO observed that MITA related services are covered by a Ministry contract. NAO recommends that the IT services provided by MITA are covered by a contract specific for Medicines Authority.*

*The Medicines Authority however has contracts and service-level agreements with other suppliers. The NAO reviewed all these contracts and agreements and recommends that the Medicines Authority ensures that all contracts and agreements:*

- *Call for the Medicines Authority and not the Medicines Regulatory Unit or Medicine Authority or any other name variant;*
- *List the correct address;*
- *Are still valid and in the case of long term contracts which are renewed automatically, the Authority should ensure that these contain a clause stating that these are automatically renewed from year to year;*

- Contain suitable Data Protection Clauses. The sample clauses issued by OPM so as to guide government departments/entities in this regard can be used;
- Rates are still valid. The Authority should ask suppliers to send a notification of rate changes in writing, so that rates paid are in agreement with those specified in contract;
- Are in Euro and if stating a VAT Rate this is up-to-date with the current legislation. i.e. A contractor stating that the invoice should be paid in Lm or that payments are subject to 15% VAT, should be revised; and
- List the completion dates of projects.

The Medicines Authority should also ensure that contracts are kept up to date and if need be a covering letter documenting changes and signed by both parties should be done. Furthermore, the Medicines Authority should ensure that all third party suppliers abide by the terms and conditions in the contracts, especially when it comes to delivery dates and call-out rates charged.

### **Developments: Fully Implemented**

The NAO noted that in April 2015 the Medicines Authority signed a contract with MITA to regulate all the IT services provided by MITA.

Furthermore, the NAO was informed that all contracts referred to in its previous audit were updated as per NAO recommendations. The NAO sought to obtain a copy of such contracts but was informed that these were since decommissioned and replaced by new contracts. The NAO obtained a copy of the new contracts and noted that these were in compliance with the recommendations listed above.

### **Network Infrastructure**

NAO ... recommends that:

- A larger network cabinet is procured so as to reorganise all the network and telephone cabling in an orderly fashion making them manageable;
- Any unnecessary or redundant equipment, such as the old server rack which is now unutilised, is removed from the computer room;
- The air conditioning is kept on throughout the year;
- A temperature and humidity monitor is installed so as to ensure that there are no temperature variances;
- The room is kept locked at all times;
- A log book is kept recording who accessed the room and the date and time; and
- An adequate fire extinguisher is placed in the room.

### **Developments: Partly Implemented**

The NAO noted that since the audit was carried out, the Authority moved to new premises. The NAO visited this room and noted that all the above recommendations were implemented except its recommendation relating to the installation of a temperature and humidity monitor. The NAO recommends that this is done without further delay.

### **IT Inventories**

The Medicines Authority has an inventory of all PCs and a Fixed Asset Register documenting all assets room by room. The NAO has reviewed both registers and suggests that the:

- Fixed Asset Register is updated ...
- PC Register includes all the devices ...
- PC Register is updated in terms of ownership.

### **Developments: Fully Implemented**

As part of the move to the new premises, the Authority procured and installed new IT equipment. The NAO received a copy of the IT inventory and verified that this was updated.

**Website: [www.medicinesauthority.gov.mt](http://www.medicinesauthority.gov.mt)**

*The NAO recommends that the site is improved as the look and feel is dated.*

*The NAO was informed that a tender for the procurement of a new website was issued and awarded. ... The NAO recommends that prior to going live with this new website, the Medicines Authority should ensure that this new website is in line with the Government's Website Standards GMICT S 0051.*

### **Developments: Partly Implemented**

The NAO noted that since its IT audit a new website was developed and deployed ([www.medicinesauthority.gov.mt](http://www.medicinesauthority.gov.mt)). The NAO reviewed this new website and identified a number of findings, which were discussed with the Medicines Authority during a meeting held on the 22<sup>nd</sup> February, 2019.

The Medicines Authority stated that it intended to revamp this website.

### **Anti-virus software**

*The NAO recommends that the Medicines Authority requests a periodic report (i.e. every six months) from MITA, to verify that all computers within the Medicines Authority are being updated with the latest definitions.*

*... Furthermore, the NAO recommends that the Medicines Authority requests a quarterly report from MITA, that would indicate which computers were infected with malware and if the malware was removed or not...*

### **Developments: Fully Implemented**

The Medicines Authority confirmed that MITA posted related reports to the CIO Portal, which could be accessed by the Head (ICT) of the Medicines Authority. A report confirming the status of each computer in terms of anti-virus software was provided and verified by the NAO.

The NAO noted that all computers were monitored on a 24x7 basis by MITA.

### **Electronic mail, Internet Services**

*The NAO suggests that the Medicines Authority should periodically remind its employees about the salient points highlighted in the E-mail and Internet services directive especially the restrictions on use of E-mail and Internet services as reproduced in Appendix C.*

### **Developments: Fully Implemented**

The NAO received a copy of the Medicines Authority's e-mail etiquette policy 'Ref MA03/10' that can be accessed from its intranet. Furthermore, the NAO noted that the authority organised a course in Information Security Awareness, delivered by the Institute for Public Services, for all its employees.

### **Wi-Fi Facilities**

*The ... NAO recommends that if a Wi-Fi facility is implemented the Medicines Authority adopts the Government's Policy in this regard entitled 'GMICT Policy P 0047:2007 Wireless'.*

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

The NAO verified that a Wi-Fi facility was available. The Medicines Authority's Network was designed, implemented and is currently supported by MITA as per the *Project Description Document in Schedule A of the framework Agreement PE/15/003K* signed in January 2015.

### **Physical Security – Stored Documents**

*... Although NAO realises that such information can be recollected in case of a disaster, NAO suggests that the Medicines Authority explores the possibility of such information being inputted by the holder directly into the Medicines Authority's IT system avoiding the dependence on manual paper documents.*

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

The Medicines Authority provided feedback to the NAO (on the 1<sup>st</sup> February, 2019) confirming that that all physical documentation was being scanned and saved to server.

### **Physical Security – CCTV**

*The NAO suggests that the Medicines Authority ensures that the landlord maintains the CCTV system and that footage is clear enough and made available for possible future playback. Furthermore, the Medicines Authority should ensure that access to live and recorded images are restricted to authorised users only.*

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

The Malta Life Sciences Park includes a security office, which is manned by officers on a 24x7 basis. CCTV cameras are located at strategic locations and monitored by the security office. CCTV recordings are kept for a 12 day period. The provision, maintenance and management of this CCTV system is covered by a contract. Furthermore, the Medicines Authority provided the NAO with an extract of the agreement with the landlord relating to the Security Management of the premises including its CCTV system.

### **Business Continuity and Disaster Recovery**

*... The NAO suggests that the Medicines Authority compiles and issues a Business Continuity Plan that includes a Disaster Recovery Plan.*

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

The NAO was provided with a fully documented Business Continuity and Disaster Recovery plan. The NAO is also aware that the systems hosted at MITA are covered by the IT agency's business continuity service.

## Business Impact Analysis

... The NAO notes that the Medicines Authority has compiled a Risk Register classifying the impact of identified risks as High, Medium and Low... the NAO recommends that the Medicines Authority lists and reviews its critical and non critical functions. For each critical function, the Medicines Authority should then determine the:

- *Recovery Point Objective - the acceptable latency of data that will be recovered ensuring that the Maximum Tolerable Data Loss is not exceeded; and*
- *Recovery Time Objective - the acceptable amount of time to restore the function ensure that the Maximum Tolerable Period of Disruption for each activity is not exceeded.*

After going through this process, the Medicines Authority should then determine its recovery requirements, which will consist of the following information:

- *The business requirements for recovery of the critical function; and/or*
- *The technical requirements for recovery of the critical function.*

### **Developments: Fully Implemented**

The NAO was provided with a fully documented Business Impact Analysis documenting the Recovery Point objectives, the Recovery Time objectives and the business and technical requirements for the successful recovery of its critical functions.

## Conclusion

The follow-up audit reviewed the status of 16 recommendations made by the NAO in the original report. The NAO noted that 11 were fully implemented and 5 were partly implemented. The NAO is of the opinion that whilst the Medicines Authority has shown a significant progress since the original audit, it should nevertheless take action on the other remaining recommendations.

## 2018 - 2019 (to date) Reports issued by NAO

### NAO Work and Activities Report

April 2019 Annual Report & Financial Statements 2018 - Works and Activities

### NAO Audit Reports

October 2018 Performance Audit: An evaluation of Government's deal to design, build and operate the Malta National Aquarium

October 2018 Follow-up Reports by the National Audit Office 2018

November 2018 Performance Audit: A Strategic Overview on the Department of Fisheries and Aquaculture's Inspectorate Function

December 2018 Report by the Auditor General on the Workings of Local Government for year 2017

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

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

December 2018 Report by the Auditor General on the Public Account 2017

December 2018 Performance Audit: An evaluation of the regulatory function of the Office of the Commissioner for Voluntary Organisations

January 2019 An Investigation of Visas issued by the Maltese Consulate in Algiers

March 2019 Performance Audit: A Review on the Contract for Mount Carmel Hospital's Outsourced Clerical Services

June 2019 Joint Audit: An Evaluation of the Community Work Scheme

July 2019 Cooperative audit: Are adequate mechanisms in place for the designation and effective management of Marine Protected Areas (MPAs) within the Mediterranean Sea?

October 2019 Information Technology Audit: The Effective use of Tablets in State, Church and Independent Primary Schools

