N A O
National Audit Office
MALTA

Follow-up Audits Report 2021

Volume I

Report by the Auditor General
June 2021

Table of Contents

Foreword

It has become a must for every public audit institution to have in place an effective follow-up mechanism to ensure timely implementation of the recommendations put forward in every audit report. The purpose is to, as far as possible, address any shortcomings or issues identified during that particular assignment.

The National Audit Office is no exception and, thus, once again in this Part I we have embarked on a follow-up process related to various audits carried out by our Financial and Compliance Section a couple of years ago. Part II will eventually include various follow-ups undertaken by other Sections within this Office.

Essentially, the scope of these follow-up audits was to enquire with the respective auditees on the developments of the audits carried out and assess the extent to which the recommendations put forward by our audit teams were acted upon. Related Management comments submitted by the auditees and the Governance Action Reports issued by the Office of the Principal Permanent Secretary, where applicable, were also referred to during the follow-up audits.

In order to reach the audit objectives, meetings were held with the officials concerned to discuss the progress registered on recommendations followed up since the original audits. Comments were analysed and supporting evidence, together with any additional information and clarifications, were requested to substantiate such assertions.

The standard structure of the write-ups in this publication includes a background, the main findings as well as the recommendations proposed by this Office, as featured in the original Annual Audit Report. These are followed by developments pertaining to each issue and a conclusion, summarising the overall development. The extent of implementation in respect of each individual audit is shown in the Table being inserted after this Foreword.

Charles Deguara
Auditor General

June 2021

GUIDELINES FOR THE CLASSIFICATION OF THE IMPLEMENTATION OF RECOMMENDATIONS FOLLOWED UP BY THE NATIONAL AUDIT OFFICE

RATING	EXPLANATION
Fully Implemented	The action taken met the intent of the recommendation and issues were rectified. Structures and processes were in place to prevent a repetition of shortcomings. Sufficient evidence was provided to demonstrate action taken.
Partly Implemented	This category encompasses one or more of the following considerations: • Action taken was less extensive than recommended by the National Audit Office. Action either fell short of the intent of the recommendation, or only addressed some of the identified risks and/or issues. • The auditee may have established structures and processes but only within some parts of the organisation, although some achieved results were identified; however, plans exist for the full implementation of the recommendation. • The specific action noted in the recommendation was not complete at the time of the assessment. • The auditee may have commenced action to address a recommendation, but subsequent policy changes may have influenced how it might be implemented.
Significant Progress	The auditee demonstrated that it made all preparations for implementing a recommendation, including a clear path (plan) duly approved at the proper executive level. It also showed that it had a clear timeline for completion and closure of the issue.
Insignificant Progress	This category may include one or more of the following: • Action to address recommendation was very limited. • No supporting evidence that action has been undertaken. • Albeit unintentional, action taken does not address the recommendation. • Actions such as having meetings, discussions and generating informal plans, should be regarded as insignificant progress.
Not Implemented	No effort was made by the auditee to address the recommendation. (*This may also include those instances where the auditee did not provide any evidence suggesting efforts to implement the recommendation.*)
Not Accepted	The auditee did not accept the recommendation in the first instance.
No Longer Applicable	In instances when the recommendation ceased to apply.

TABLE OF IMPLEMENTATION FOR EACH INDIVIDUAL AUDIT

Title of Follow-up	Developments						Implemented in Full or in Part, or Significant Progress registered
	Fully Implemented	Partly Implemented	Significant Progress	Insignificant Progress	Not Implemented	Totals	
Mater Dei Hospital	7		1	2		10	80%
Overseas Development Aid and European Development Funds	3					3	100%
Malta Philharmonic Orchestra	7	1	5			13	100%
Grand Harbour Regeneration Corporation	2		1			3	100%
Support to Voluntary Organisations and Civil Society Fund	9		1			10	100%
Junior College		3			2	5	60%
Gozo Schools	1	3			2	6	67%
Civil Protection Department	6	2	2			10	100%
Detention Service	3		2	2	7	14	36%
Totals	**38**	**9**	**12**	**4**	**11**	**74**	**80%**
Totals in Percentage	**52%**	**12%**	**16%**	**5%**	**15%**	**100%**	**80%**

List of Abbreviations

AWAS	Agency for the Welfare of Asylum Seekers
CPD	Civil Protection Department
CSF	Civil Society Fund
DAS	Departmental Accounting System
DS	Detention Service
DSO	Detention Service Officer
FMS	Fleet Management System
GHRC	Grand Harbour Regeneration Corporation
MCVS	Malta Council for the Voluntary Sector
MDH	Mater Dei Hospital
MEDE	Ministry for Education and Employment
MFIN	Ministry for Finance
MHAS	Ministry for Home Affairs and National Security
MPO	Malta Philharmonic Orchestra
NAO	National Audit Office
ODA	Official Development Assistance
PPR	Public Procurement Regulations
PSMC	Public Service Management Code
SAMOC	Sir Anthony Mamo Oncology Centre
TOIL	Time Off In Lieu
VOPS	Voluntary Organisations Project Scheme

Ministry for Health

Mater Dei Hospital

Background

A write-up on Mater Dei Hospital (MDH) was published by the National Audit Office (NAO) in its Annual Audit Report for 2016. The aim of the related audit was to ascertain that adequate internal controls were in place for the procurement of contractual and professional services, including the provision of car park and traffic management, cleaning and security services. It was also aimed to ascertain that funds were spent for their intended purposes, within the approved limits, and in line with the provisions of standing Public Procurement Regulations (PPR). Other objectives were to obtain reasonable assurance that payments effected were accurate, duly covered by supporting documentation enabling verification, and in line with applicable agreements.

Key Issue

Provision of Car Park and Traffic Management Services

NAO published two Reports in 2009 and 2014 respectively, both highlighting observations in respect of the provision of car park and traffic management services at MDH.

By way of background, following a call for tenders, a service concession contract was awarded on 27 July 2007. However, parking fees agreed to in the said contract were eventually reduced and two new agreements were subsequently signed in 2008 between the Foundation for Medical Services and the respective contractor. This brought about significant changes to the tendering conditions leading to considerable loss of revenue to Government, including the waiving of the annual concession fee of €326,112 (VAT excl.). Moreover, as from 2008 up to time of audit, i.e. July 2017, MDH was invoiced €5.3 million by the respective contractor for the management of an additional car park, namely Area C to be utilised by MDH staff, and parking for disabled users, covering also the provision of external security services[1]. During the audit on financial year 2016, NAO noted that the below shortcomings still prevailed.

Situation of Loss of Revenue not rectified

In response to the Report published in 2014, MDH had stated that major changes were to be made to the terms and conditions of the new contract for the management of the car park, so that significant revenue would be ensured for the Government. This notwithstanding, in April 2017, MDH Management confirmed that the company in question continued to provide an uninterrupted service, without addressing the main shortcomings emanating from the service concession contract split. Thus, Government continued to lose substantial amount of revenue.

[1] *Due to disputes, during July 2015, external security services were amalgamated with the internal ones, which service was being provided by a different company.*

Repeated Extensions to the Contract

The split agreement for the provision of car park and traffic management services was effective as from 1 August 2007 up to a period of five years. The foregoing contract did not contemplate the possibility for extensions; however, it was renewed repeatedly at least up to July 2017, i.e. when the audit was concluded, resulting in an aggregate invoiced amount of €590,962 beyond the five-year contract. This concern, which also reflected unfair competition, was already reported upon by NAO in the 2014 Report.

Retrospective or No Approvals

The approval from the Direct Orders Office within the then Ministry for Finance, covering the provision of car park and traffic management services for the period August 2014[2] to July 2015, was requested retrospectively and only obtained on 19 October 2014. On 9 March 2016 another retrospective request for direct order was made to cover the foregoing services, for a one-year period as from 1 August 2015. Notwithstanding that the service was still ongoing at time of the publication, no further approvals were obtained.

When entering into agreements, MDH is to ensure that Government's interest is duly safeguarded, in order to maximise potential revenue. Furthermore, extensions are to be granted only if such possibility was included in the respective call for tenders. The necessary Finance approval is also to be invariably obtained, in line with PPR, prior to commitment for the procurement of service.

Developments: *Significant Progress*

Following the issue of a call for tender, which was published in January 2018, a concession agreement with a different service provider was entered into in June 2018, for the running of the car park and provision of traffic management services at MDH and Sir Anthony Mamo Oncology Centre (SAMOC). The new contract, which was for two years, covered the possibility to extend for a further two years[3]. So far, this contract was extended until 5 August 2021, by means of addendum number 2.

As per tender, the contract was to be awarded to the highest and technically compliant offer, with an annual concession fee of over €100,000 (VAT excl.). The winning bidder had agreed to pay MDH an annual concession fee of €270,842 (VAT excl.), paid quarterly in advance, as well as the pre-determined percentages on the concessionaire's turnover[4] (VAT excl.).

However, it transpired that in breach of the contract provision, the contractor was not paying the concession fees in advance. Moreover, according to MDH, following measures introduced by the Hospital as a result of the COVID-19 pandemic, the contractor claimed that turnover was lower since the visiting hours and the outpatient appointments were reduced substantially. This created a dispute between both parties and the contractor stopped paying his dues. The last concession fee was received in May 2020, covering the three-month period November 2019 to January 2020.

NAO also noted that the calculation of the percentage on the turnover was being understated. Furthermore, although as per contract these payments were to be effected every three months, MDH confirmed that at time of follow-up, payments effected by the contractor only covered up to July 2019. Following the audit, the contractor settled his pending dues and rectified his position vis-à-vis the understated figures, with the exception of the concession fee which was in dispute.

---

[2] *Similar shortcomings for the period 1 August 2012 and 31 July 2014 were already outlined in the NAO Report published in 2014.*

[3] Periods of one year each for a total contract period of 4 years.

[4] Turnover includes revenue from pay-on foot machines, clamping or towing fines and frequent user passes or sales of permits. The percentage rates were to be calculated on the accumulative income over a 12-month period.

Control Issues

Cleaning Services

Services rendered beyond the Contracted Period

A consortium had been providing cleaning services to MDH since 1 November 2008, through a five-year contract which was extendable by a further two years, up to 31 October 2015. However, MDH continued to use the cleaning services of this consortium, beyond the maximum contract period, with the service provider invoicing MDH an additional amount of €11.7 million, covering services rendered between 1 November 2015 and 31 May 2017.

MDH is to ensure that additional expenditure outside the scope of the contract is made in line with PPR, in order to promote fair competition and transparency. Furthermore, formal contract extensions are to be in place, as applicable.

Developments: *Fully Implemented*

A call for tender for the provision of cleaning services to MDH and SAMOC was published on 28 April 2018. A five-year contract, extendable by a further two periods of six months, was entered into on 15 November 2019 with a different contractor, for a maximum contract value of €34,032,830 (VAT excl.).

The contract agreement was amended by means of two addendums, which were signed on 29 October 2020 and 18 November 2020, respectively. In the first addendum it was agreed that the contract is amended to include the provision of a total financial variation of €413,651 (VAT excl.), which amount should cover for the increase in the cost of living adjustment for year 2020, as per respective circular and as per conditions stipulated in the contract. The second addendum reflected another financial variation of €700,000 (VAT excl.) in view of additional cleaning required due to COVID-19 pandemic, from September 2020 till March 2021.

Shortcomings in Attendance Records

On Wednesday 19 April 2017, NAO Officers carried out a physical on-the-spot inspection whereby the manual attendance records maintained by cleaners for two random wards was requested for the necessary audit verifications. Given that the cleaners also recorded their daily attendance by biometric electronic means[5], a copy of the report for that day was also requested. Shortcomings that were noted indicated that no proper verification was being performed before endorsing the attendance sheets.

NAO emphasises the importance of an effective internal control system on attendance records. MDH is to ensure that the attendance sheets are signed in a timely manner and endorsed by authorised officials.

Furthermore, biometric records are to be duly checked and explanations sought from the service provider where divergences in attendance records are clearly evident.

In the meantime, considering that MDH was drafting tender specifications for the installation of attendance verification equipment across the Hospital, NAO recommended that such equipment is installed in various strategic points at MDH to be accessible by the contractual staff, and to fully utilise the benefit of authenticating and automating the attendance verification system.

[5] *The biometric equipment was placed within the offices of the contractor, which were situated in the basement of MDH.*

Developments: *No Longer Applicable*

As stipulated in the new cleaning contract, the economic operator was to be paid according to the footprint cleaned to the satisfaction of the Hospital and not according to hours deployed on site. Notwithstanding this, the supplier's employees still registered their attendance by making use of the installed biometric devices within MDH.

When NAO enquired what actions were being taken by the Management to ensure adherence with the applicable contract, such as on the spot inspections, Management stated that it is implementing a number of measures, to ensure that the cleaning of the Hospital reaches the highest level of standards. These measures include the establishing of a portal to save all related documents, an electronic complaint system for staff, and the carrying out of periodical spot checks. Bi-monthly meetings with the contractor and MDH Infection Control Unit are also held.

Supply of External Fixators, Components and Instrumentation

Anomalies with respect to Approvals and Agreements

From the list of invoices submitted, it transpired that a supplier of fixators[6] was paid, in aggregate, the amount of €389,963[7] covering March 2008 up to May 2016, this being the last month when these were supplied. Testing revealed certain shortcomings of non-compliance with PPR, such as retrospective approvals from the Department of Contracts. Furthermore, a request to the Direct Orders Office made on 12 November 2016, to procure from the same supplier, was still pending due to some reservations highlighted on the same date by the former. Agreements were, at times also signed backdated.

In order to promote fair competition and transparency, a call for tender in line with PPR is encouraged. Formal agreements are also to be entered into prior to any commitment.

Developments: *Fully Implemented*

During this follow-up audit, there was an active contract for the regular supply of fixators with a different supplier. MDH envisaged that once the current contract expires in mid-November 2022[8], the Hospital will no longer need to acquire fixators since it will utilise its own stock that it purchased over the term of the contract. External fixators can be reused for a number of times.

Unreturned Supplies

The devices used on patients were not always returned to MDH. This was mainly "... due to two reasons, the patient would go to the private sector to have them removed or else, in the case of foreign patients, these go abroad and are removed in other countries". In such cases, the respective supplier demanded full payment. However, a list of the full value of the items and a register of the respective patient's details were not available and therefore adequate control on such expenditure could not be maintained. Furthermore, records of the total payments made, as from commencement date up to 31 December 2016, with respect to unreturned fixators did not exist.

MDH is to seek ways on how the cost of such items can be recovered. Furthermore, internal controls are to be in place to ensure full audit trail.

---

[6] *Fixators are components and instrumentation used by MDH on patients during surgical procedures.*
[7] *This amount may include payments related to unreturned supplies and repairs.*
[8] The contract allowed for an option of extension of a further six months following said date.

Developments: *Fully Implemented*

A list of the patients' details together with the respective status of each fixator was provided. It was also stated that fixators are normally removed at MDH. However, in the event that a fixator is removed elsewhere and is not returned by the patient, the Hospital issues a legal letter or requests the payment for the net book value of the fixator. This was formalised through a standard operating procedure issued in October 2017.

Internal Security Services

Perpetual Extensions and Retrospective Approvals

As from 1 January 2008 up to at least March 2017 when the audit was in progress, a local company provided internal security services at MDH, being paid in aggregate the amount of €17,399,639. The first agreement, covering a period of seven months, was signed retrospectively on 4 June 2008 while the second one, which was for a period of three years, was also entered into in retrospect on 10 September 2009. Moreover, it transpired that in fact, both agreements were unofficially extended beyond the established expiry date of the respective contracts.

Ideally, a fresh call for tenders is to be issued whenever a contract expires, in order to ensure that the best rates and conditions are obtained within the framework of a transparent and fair selection process. Extensions are to be resorted to only in exceptional cases rather than becoming the norm.

Developments: *Insignificant Progress*

As per Management comments submitted in mid-October 2017 in response to the original audit, the first drafts of the tender dossiers go back to 2011, but due to several issues, the process was delayed. It was further stated that vetting by the Department of Contracts was in the final stages, and it was envisaged that the tender was to be issued by end 2017. On the other hand, as per Governance Action Report published by the Office of the Principal Permanent Secretary, the issuance date was set to June 2018. The call for tenders was actually published on 10 July 2020 but this was cancelled due to a technical issue. As per MDH's feedback, dated 30 April 2021, the Central Procurement and Supplies Unit was drafting a new tender. Total payments made to the same service provider following the expiry of the original contract, from April 2017 up to end January 2021 when this follow-up audit was in progress, amounted to €11,206,679.

Attendance Verification System not utilised to its full potential

MDH confirmed that the monthly security hours charged were only checked with the total projected hours and not with the actual hours worked. Moreover, although security guards recorded their daily attendance by electronic means, in May 2016 MDH Management decided that due to the backlog of unpaid invoices, for the period March 2015 to March 2016, only a sample of 10% was to be checked with the projected hours. Apart from the fact that MDH was not reaping the full benefits from the service provider's biometric electronic attendance system, this approach also weakened the necessary internal controls. In fact, it was noted that various time-outs were missing from a sample of a biometric reports reviewed.

Management is encouraged to utilise the biometric electronic attendance verification system to its full potential in order to monitor the service provided by contractors and settle payments in accordance with the total number of hours of services rendered.

Developments: *Fully Implemented*

NAO was informed that security personnel were making use of the verification equipment installed by MDH in the reception area. An example of the respective report from the system was obtained for audit purposes. Evidence was also provided that the hours claimed by the contractor were being reconciled with palm reading and deployment records, as well attendance sheets, where applicable.

Provision of Terminal Disinfection of Hospital Isolation Rooms

Irregularities in the Procurement of Services

Following a request for quotes, a service provider was selected to provide terminal disinfection of isolation rooms, up to a value of €7,080 for a period of one year as from 17 November 2012. The subsequent contract, which was awarded to the same service provider following a departmental call for tender, was only effective as from 8 January 2015; thus, the service continued to be rendered by direct order in the interim period. Furthermore, the tender in question was for three years or up to the value of €60,000, whichever was the earliest. However, since after 10 months this threshold was already consumed, two variations[9] were approved by the respective Ministry, covering up till mid-2017.

MDH is to strive to ensure that procurement regulations are invariably complied with. In order to obtain the best rates and conditions, a fresh call for tenders, based on proper cost estimations, is strongly encouraged.

Developments: *Fully Implemented*

The terminal disinfection service was incorporated in the five-year contract for the provision of cleaning services to MDH and SAMOC, signed on 15 November 2019. The related provision states that as part of the cleaning services related to very high-risk rooms, the contractor could be requested to undertake terminal disinfection of isolation rooms and any other indicated areas, using evidence supported methods. Such services started being rendered by the new contractor as from June 2020.

Disinfection Services not substantiated by relative Authorisation

According to MDH, the disinfection process within MDH premises was only to be undertaken if a form with the patients' details was filled in and provided by the infection control nurses. However, the selected nine instances in a sampled invoice were not duly supported by such form, suggesting that prior authorisation for the fogging process was not obtained.

Terminal disinfection services are to be effected in line with MDH's standard operating procedures and duly authorised. Requests for payments are not to be honoured unless the applicable procedures have been followed.

Developments: *Fully Implemented*

The only invoice submitted by the contractor in this respect was dated 2021 and was still pending payment at end February, i.e. during this follow-up. The respective documentation was in use at MDH and could not be provided for audit purposes. Hence, NAO confirmed, that all instances included in one of the sampled invoices for services rendered by the previous contractor during May 2020 were duly supported by the respective authorisation form.

---

[9] *On 16 February 2016, the Ministry approved an increase up to €141,600 over the contract value (136%) and a further €60,000 (42%) over the updated amount on 24 January 2017.*

Neurophysiology Technologist Services

Over-dependency on Sole Service Provider

In 1992, approval from the then Ministry for Finance for the services of a neurophysiology technologist was provided on a "... temporary nature until suitably qualified staff are taken on". However, during the time of audit, i.e. April 2017, MDH was still procuring such services from the same individual with the approval of Finance. This resulted in overdependency on one individual with a high risk of compromising the provision of these services and the Hospital having to face an increase in the patients' waiting list. This was also a concern to MDH.

This matter was already highlighted in previous audits carried out by NAO for financial years 2010 and 2013. During 2016, payments in this regard to the foregoing individual providing part-time services amounted to €57,553.

MDH is to continue with its efforts to seek neurophysiology technologist/s in order to decrease the patients' waiting lists. In the meantime, the current technologist is expected to abide by the applicable agreement and provide the necessary training to any prospective candidate so that business continuity, in the best interest of the patients themselves, is ensured.

Developments: *Insignificant Progress*

In October 2017, Management had stated that the first two individuals were expected to qualify in this area in June 2018. Furthermore, the service provider was to provide the necessary training in line with the applicable contract, to any prospective candidate as might be proposed by the Health Authorities. However, MDH confirmed that the necessary training was never provided. The Clinical Chair of NeuroMedical Services also confirmed that the trainees were not yet sufficiently competent to carry out these services.

According to MDH, unless the services of neurophysiology technologist are contracted beyond the expiry of the contract, i.e. February 2021, various negative clinical outcomes would be anticipated. On its part MDH is committed to continue with the necessary training of the recruited individuals to be eventually self-sufficient in line with NAO's recommendations. According to Management, it was planned that the trainees were to travel to England to complete their studies in 2020; however, they were precluded to do so due to the COVID-19 pandemic.

As per schedule provided for audit purposes, total payments on neurophysiology services during year 2020 amounted to €66,451, of which €16,408 (25%) were in respect of 943 unutilised sessions due to COVID-19 pandemic, but still paid for in line with the contract, which guaranteed the full payment for a total of 250 patients per month, which is the maximum.

Procurement of Consultancy Services

Bypassing of Procurement Regulations

In 2008, MDH requested an individual to provide procurement consultancy services, which services were still ongoing till end 2016, costing an aggregate of €49,357 since inception. These services were mainly rendered through short-term contracts, for a maximum of €6,000 (VAT excl.) each. Furthermore, the first agreement was only signed on 16 November 2009, i.e. more than one year later, without indicating the effective date or the period covered.

MDH is to ascertain that services provided are invariably covered by an agreement. A continuous series of contracts by direct order with the same service provider is not encouraged.

Developments: *No Longer Applicable*

According to Management, the last agreement was signed in March 2018, for a maximum period of six months. Since then, this service was no longer required. NAO confirmed that no payments were made to the individual in question in 2020.

Collection, Transportation and Disposal of Hazardous Clinical Waste

Lack of co-ordination within the Department of Health

Following a call for tenders, the contract for the collection, transportation and disposal of hazardous clinical waste, arising from various healthcare institutions, was awarded to a private company in July 2015, for a period of two years, up to a maximum amount of €120,000 (VAT excl.). Notwithstanding that there was a number of entities involved, evidence of co-ordination to keep track of this expenditure and ensure that the capping was not exceeded was not provided, clearly indicating that the necessary controls were lacking.

Effective internal communication between the Financial Controllers of the respective entities needs to be thoroughly enhanced. The Department of Health is to take action to assign overall responsibility for keeping track of expenditure in connection with the collection, transportation and disposal of hazardous clinical waste arising from various entities.

Developments: *Fully Implemented*

A Contracts Management Unit, with the remit to oversee the contracts processes and revenue collection for MDH and SAMOC[10], was set up in May 2020, with two individuals, namely the Head of Unit and a Manager. A clerk was subsequently employed in January 2021. One of the responsibilities falling within this Unit is that of approving all invoices prior to payment to ensure that they are in line with tender specifications and budget limits. This Unit was also assigned the overall responsibility to keep track of expenditure on hazardous clinical waste pertaining to various healthcare institutions.

Travelling Expenses

Policies regulating Travel Benefits to Foreign Medical Professionals not formalised

Policies and guidelines to regularise travel benefits offered to foreign medical professionals were not in place. This observation was already highlighted in NAO's Annual Report published in 2014.

The two sampled foreign medical professionals received seven reimbursements each for flight expenses, to the tune of €13,565 and €24,576[11], as from 2011 and 2012 respectively. In the absence of formal policies and guidelines and since the respective employment agreements referred only to the relocation to Malta, it was questionable on what basis these individuals were entitled for additional flight expenses.

NAO reiterates the need of formal documented policies and guidelines to regularise travel benefits to foreign medical professionals. Furthermore, whilst acknowledging that as from October 2016, following legal advice, additional flight expenses were no longer to be processed, MDH is to ensure that any type of reimbursement is duly justified and officially approved.

---

[10] Includes Sir Paul Boffa Hospital.

[11] *May include flight expenses for the reallocation to Malta but the respective query was not confirmed by MDH.*

Developments: ***No Longer Applicable***

According to the Governance Action Report issued in 2018 following the original audit, by June of the same year, the relevant policy was at legal consultation. However, during this follow-up assignment, this was not yet available. MDH clarified that along the years the rationale favoured the non-introduction of a specific policy, since it is phasing out its old expatriate contracts that included the travel benefit. From the list of transactions effected during 2020 for professional services, NAO also confirmed that no such payments were effected during the said period.

Conclusion

NAO acknowledges the considerable progress registered in taking on board a number of recommendations. However, it is pertinent that the remaining observations are addressed. In particular, the Contracts Management Unit is to be enhanced, considering the fact that MDH manages a vast array of supply contracts and the Unit is also responsible for the billing section of the Hospital, all revenue collection and parking management.

Ministry for Foreign and European Affairs

Overseas Development Aid and European Development Funds

Background

In its Annual Audit Report for 2017, the National Audit Office published a write-up entitled 'Overseas Development Aid and European Development Funds'. The main scope of the audit was to ensure that funds granted by the then Ministry for Foreign Affairs through the Official Development Assistance (ODA) for development and humanitarian supports, as well as for scholarships, were managed in a transparent and accountable manner. Another objective was to ensure that funds from the European Development Fund were being disbursed in accordance with the respective terms and conditions.

Control Issues

Inadequate List published

The list of ODA projects for 2017 was available online. However, this did not include the respective markings, rankings and amounts funded. Ineligible or unsuccessful applicants were also excluded. Whilst acknowledging that organisations can request specific details concerning their individual project/s through email, the relevant information is expected to be published online for transparency reasons.

The names of all organisations applying for ODA are to be duly published, together with the respective markings, rankings and amounts funded. This encourages unsuccessful applicants to ameliorate their position in subsequent applications.

Developments: *Fully Implemented*

Due to the COVID-19 pandemic, the sample for this follow-up exercise, comprising a total of 10 transactions amounting to €1.7 million, was chosen from 2019 rather than 2020, since an expression of interest for pre-defined projects during the year under review was only issued in November 2020.

It was confirmed that the list of ODA projects, as published in April 2019, included details of the project name, the applicant, the marks obtained, and the amounts funded. The list of all those projects which failed to obtain the pass mark or were not eligible for funding was also published.

Funding awarded in excess of the Established Threshold

ODA application form template for 2017 stated that the maximum allowed funding was 75% of the eligible project costs. However, in one of the application forms reviewed, the amount requested for co-financing and accordingly accepted surpassed this maximum threshold. As a result, a Foundation was awarded and ultimately paid €1,269 in excess of the entitled amount of €7,996.

Although the additional amount involved is not substantial, the established award criteria are to be adhered to in order to ensure fairness and equality among applicants.

Developments: *Fully Implemented*

The maximum allowed funding during 2019 was increased to 90%, compared to the 75% that was applicable in 2017. It was confirmed that this capping, in respect of the sampled projects, was not exceeded.

Application Form not properly filled in

A Foundation receiving financial assistance did not provide information in accordance with the application form template. Some sections, which were required to be specifically evaluated to give the respective markings, were left blank. The Ministry acknowledged this shortcoming but maintained that the required information was included in other parts of the application form.

In order to ensure a fair and equitable decision, the application forms submitted are to be properly filled in. Such requisite is to be clearly communicated to applicants on the form itself.

Developments: *Fully Implemented*

All the sampled application forms, relating to year 2019, were duly filled in.

Conclusion

This Office satisfactorily noted that the main shortcomings highlighted in the 2017 audit were addressed. The procedures in relation to the evaluation of applications for ODA projects were in place and complied with the relevant guidelines issued on a yearly basis. As was remarked during the 2017 audit, documentation in relation to the audit was filed in an organised manner.

Ministry for the National Heritage, the Arts and Local Government

Malta Philharmonic Orchestra

Background

The Annual Audit Report of 2017 published by the National Audit Office (NAO) included a write-up on Personal Emoluments and the use of the Credit Card Facility by the Malta Philharmonic Orchestra (MPO). The audit objective was to determine the level of internal controls in the payroll process, as well as to verify whether the applicable regulations and agreements were duly followed.

The audit revealed a weak control environment and various shortcomings in areas relating to personal emoluments, as well as lack of evidence to substantiate expenditure incurred through an unapproved credit card.

Key Issue

Weak Control Environment

While the Philharmonic Orchestra is focused on bringing together the best of Maltese talent and musicians from Europe and beyond, with very positive results, the administrative aspect was sometimes not being given the attention it deserved. This led to a weak control environment.

Management was encouraged to carry out an in-depth operational review so that an effective administrative set-up could eventually be put in place. Operating policies and procedures, based on good practices highlighted in the Public Service Management Code (PSMC), were to be drawn up and invariably adhered to.

Developments: *Fully Implemented*

An exercise, to ensure that MPO had devised an adequate plan to address the weaknesses reported upon by NAO, was carried out by the Internal Audit and Risk Management Section within the Internal Audit and Investigation Department. To address the recommendations which were not yet implemented, an action plan was then compiled by MPO and subsequently discussed with said Department.

To enhance its operations and control environment, MPO envisaged to fill in the vacant posts of Human Resources Manager, Finance Executive, and an Administrative Assistant. However, due to budgetary restrictions, appointment was effected only for the last two posts. The position of Administrative Assistant was initially taken up in April 2019, but the person holding the post was replaced by another officer in October 2020. On the other hand, in December 2020, the Financial Executive was promoted to Manager (Finance & Administration).

Control Issues

No Ministerial Approval to issue Credit Card

No approval was sought from the then Ministry for Finance (MFIN) for the use of a credit card with a credit limit of €7,000. Enquiries raised by NAO with the same Ministry also revealed that the policy with respect to

Government entities was to grant approval for the use of a debit card with a running balance of €2,500 and that only in rare and justifiable circumstances was the use of a credit card and a higher limit endorsed.

In order to regularise matters, approval for the use of debit or credit card, as deemed necessary, was to be sought from MFIN without delay. A valid justification to cover the credit limit of €7,000 was also required.

Developments: *Fully Implemented*

Following a resolution passed during the Board of Director's meeting held on 6 September 2018, the credit card in question was returned to the commercial bank for cancellation. Subsequently, the respective account was closed on 18 October 2018. On 22 February 2021, Management confirmed that currently the entity is neither in possession of a credit nor debit card.

Expenditure incurred by Credit Card not substantiated

During 2017, a total of 294 transactions, having an aggregate value of €43,049, were effected by means of the abovementioned credit card.

Thirty-five of these transactions, representing 13% (€5,625) of the global amount spent, were deducted from the salary payment of the respective official utilising this credit card[1] and thus treated as personal expenditure. However, review of the remaining entries revealed the following instances:

a. *A relatively large number of transactions (183[2] of the remaining 259) were either not supported by any documentation, or else these were merely substantiated by the chit supporting the bank transaction or by a cash register receipt, thus containing no details of the purchase made. According to MPO "... most of the hospitality expenses paid ... … are incurred in relation to meetings to attract new business to the Orchestra, meeting potential sponsors, as well as entertaining soloists, conductors and other foreign artists who offer the service to MPO". Whilst this Office acknowledged the particular nature of the industry, nevertheless, the lack of supporting documentation did not provide the comfort of regularity of such transactions.*

b. *Notwithstanding the lack of supporting receipts, all transactions were recorded in the books of account without question by the respective accounting officer. This implied that internal control in this area was totally lacking.*

To mitigate abuse and for the sake of transparency and audit trail, all amounts paid out of MPO's funds are to be invariably backed up by official documentation, such as an invoice and/or receipt, as applicable. Moreover, instances involving hospitality and entertainment are to be supported by proper written justifications. Furthermore, Management should also ensure that public funds are utilised in an efficient and economical manner, in line with the applicable Code of Ethics[3].

Effective monitoring is expected to be carried out by the Finance team, with any extraordinary transactions being flagged and brought to the attention of the Board for further discussions.

---

1 *€2,015 of which were deducted during 2018.*

2 *From a review of the description given in the bank statement, it could be concluded that the majority of these 183 transactions was incurred in restaurants, overseas travel and local hotels.*

3 *First Schedule of the Public Administration Act.*

Developments: *Partly Implemented*

With the aim of mitigating potential similar circumstances, Management drafted a set of standard operating procedures in relation to entertainment and hospitality expenditure, which came into effect as from October 2018.

Through the endorsement of an agreement dated 8 October 2018, the respective officer also committed himself to reimburse MPO the amount of €6,229[4], covering personal expenditure paid out of the entity's credit card during 2017 which was deducted by monthly instalments from the officer's salary between February 2019 and January 2021.

However, despite that the respective credit card had been in use since 2014, reimbursement covered only personal expenditure reported upon by NAO. It was expected that verification of expenditure be extended over the preceding years.

Vacation Leave Entitlement exceeded

According to the collective agreement, as well as the respective employment contracts, Orchestra musicians were entitled to 25 days of recess together with a further 5 days of optional leave. However, review of the Orchestra Schedule for 2017, as well as the timesheets compiled during orchestral sessions, revealed that the total number of recess days during 2017 amounted to 35, implying that the respective employees actually benefitted from a total of 40 days of vacation leave instead of 30 in the year under review.

Vacation leave comes at a cost. To this effect, Management is to ensure that the aggregate days of vacation leave granted to its employees does not exceed the amount stipulated in the collective agreement.

Developments: *Fully Implemented*

Recess period during 2020 was in line with that stipulated in the collective agreement.

No Attendance Sheets maintained for Administrative Staff

No attendance records were maintained for the administrative staff[5] employed with MPO, notwithstanding that in line with the established practice across Government, only officers in scale 5 or above are not expected to record their attendance.

Management was encouraged to review the policy in place with respect to the attendance record system and ensure that all employees duly log in their attendance.

Developments: *Fully Implemented*

Attendance records as outlined in section 2.1.2 of the PSMC are being maintained.

Employees without a Contract of Employment in line with their Present Conditions of Work

In breach of Article 4 of the Information to Employees Regulations (S.L. 452.83), instances were encountered whereby neither a signed contract of employment, a letter of engagement nor a signed statement were traced.

---

[4] This is over and above the highlighted amount of €5,625, which was already deducted from the respective officer's salary.

[5] *With the exception of a service officer working with MPO who filled in weekly timesheets.*

a. *With effect from 1 September 2017, an officer from the Department of Information was deployed with MPO on grounds of public policy and pegged to salary scale 9 of the Public Service salary scales. However, the latter's post was not properly supported by a contract of employment, clearly indicating the new working terms and conditions. Moreover, though this officer carried out his duties entirely from home, such arrangement was not yet covered by a telework agreement as required by pertinent regulations.*

b. *In addition to their full-time employment as musicians with MPO, four individuals were also engaged with the Orchestra as part-time workers to carry out administrative work. Testing revealed that the part-time engagement of one of these individuals was only supported by an expired contract. Moreover, notwithstanding that the employment agreement did not provide for the entitlement of any communications allowance, during 2017, three out of the four aforementioned officers benefitted from a fully expensed mobile phone.*

For each of its employees, every employer was expected to have a signed contract of service in place, clearly setting out the applicable conditions of employment that were legally binding. Furthermore, Management was encouraged to draw up formal telework procedures, thereby ensuring uniformity and better control over its employees.

Developments: *Significant Progress*

The full-time employment of the deployed officer in question was regularised by a back-dated agreement, effective as from 1 September 2017, which was endorsed by the Chairman and the respective employee. Telework arrangements, covering up to 90% of the officer's working hours, are substantiated by a formal agreement which is reviewed on a yearly basis. In addition, monthly reports outlining tasks performed when working remotely are also being compiled and forwarded to the Chairman.

Regarding part-time administrative work carried out by musicians during 2020, this was covered by an agreement; however, it was noted that one of the three agreements, which came into effect as from 1 October 2020, was only signed on 22 December 2020.

Acquisition of Service of a Marketing and Development Executive

Four consecutive agreements, each covering a period of three months, were entered into with the same individual to provide the services of a Marketing and Development Executive. Each agreement stipulated a maximum amount payable of €5,400[6]. However, the aggregate amount spent exceeded the €10,000 (VAT excl.) threshold established by the Public Procurement Regulations (S.L. 174.04). Thus, this acquisition warranted a public call for tenders or prior written approval for direct order from MFIN which was not sought.

In view that the respective individual did not sign daily timesheets, the number of hours claimed for payment, as approved by MPO's Marketing Manager, could not be verified.

MPO is to strive to acquire its goods and services in line with the applicable regulations, thus ascertaining transparency. Moreover, adequate substantiating records, enabling verification of hours contributed by the service provider, are to be maintained and the necessary independent reconciliations evidently carried out before settling billed amounts.

[6] *The agreement signed in December 2017 was capped at €6,750.*

Developments: *Fully Implemented*

Following a public call for applications, a Marketing and Sales Executive on a full-time basis was appointed on 12 November 2018 for an indefinite period. Since his post is attached to salary scale 9 of the Public Service, the respective officer records his attendance manually through the signing of the attendance sheet.

Issues relating to Vacation and Sick Leave Records

Instances were encountered whereby approval was granted for the utilisation of vacation leave from the following year's entitlement. This is in breach of standing regulations.

In addition, upon comparing the manual attendance sheets and the leave records extracted from the payroll system, instances were noted whereby absences were not always being reflected in the system, which data is inputted manually. In addition, only a half day leave was deducted when absent on a day of rehearsal.

Management was expected to ensure that pertinent regulations are adhered to. Regular reconciliations between attendance reports and vacation leave are to be performed by the officer in charge of Human Resources, to ensure that the respective records are updated accordingly. Furthermore, leave deductions applied should reflect the actual number of hours during which musicians are not carrying out their duties.

Developments: *Fully Implemented*

Attendance sheets are now being counter-checked by two officers, while monthly reconciliations are performed in relation to vacation and sick leave. Absences are verified against leave application forms and medical certificates, as applicable. These are then reconciled to the data recorded in the payroll system.

With effect from 1 January 2020, the entity started using a payroll software which includes a vacation leave module. As from September of the same year, applications for vacation leave by Management and administration was effected electronically and thus the payroll system was updated automatically. Yet, manual intervention is still required to record vacation leave availed of by musicians, as well as sick leave taken by any staff member.

Sick Leave not covered by a Medical Certificate

Sick leave taken was not always covered by a medical certificate.

As required by both PSMC and the collective agreement, all sickness is to be attested by a medical certificate, which is to be submitted in a timely manner. Failing this, sickness is not to be paid for and any corrective action deemed necessary is to be taken accordingly.

Developments: *Fully Implemented*

An email dated 5 February 2019, as well as an internal memo which was undated, was circulated to all musicians, drawing their attention to sections 23.1 and 23.2 of the collective agreement, stipulating that any period of sick leave is to be covered by a medical certificate. In case of non-adherence, such absence will be deemed as unauthorised leave without pay and will also be subject to disciplinary action. During the follow-up exercise, all instances of sick leave reviewed were supported by a medical certificate.

Excessive Expenditure on Mobile Phone Bills

In lieu of the €1,600 communications allowance emanating from his contract of employment, a senior official was benefitting from a fully expensed mobile phone. However, such arrangement was not substantiated by approval from higher authority despite that mobile expenditure incurred during 2017 by the foregoing official exceeded actual entitlement.

Diversions from the provisions of the applicable contract of employment are to be endorsed by the respective Permanent Secretary and the Collective Bargaining Unit.

Developments: *Significant Progress*

As noted following a review of the payroll report for 2020, three senior officials were paid the annual allowance of €1,600 in line with the pertinent regulations, whilst any mobile bills paid by the entity on their behalf were fully reimbursed by the officers in questions. Upon expiration[7], the respective mobile service contracts were not renewed by the entity.

As from 20 October 2020, the Marketing Executive, Logistics Executive and the Malta Youth Orchestra Manager were paid a mobile allowance of €720 annually. Such payments were covered by Permanent Secretary's approval.

No Official Re-appointment of the Board of Directors

Following the expiration of its term of office in May 2017[8] , the Board of Directors was only officially reappointed for a period of one year on 31 January 2018. Thus, the amount of €4,893, paid between June and December 2017 to the respective Board members was not covered by a formal appointment.

For the sake of legitimacy, the Board is to be appointed annually by the respective Minister.

Developments: *Significant Progress*

The Board of Director's term of office expired on 30 January 2020; however, formal reappointments, for a period of three years effective from 23 March 2020, were endorsed retrospectively by the respective Minister on 1 April 2020.

Board of Directors Remuneration not in Line with established Rates

As from 1 January 2017, members sitting on Government Boards were to be paid in line with the new structures and remuneration levels outlined in the Manual for setting the Categorisation, Classification and Remuneration of Government-appointed Boards and Committees. However, the six members of MPO Board were still being remunerated at the rates established in 2013, resulting in an underpayment.

MPO is to ensure that Board members are paid at the correct rate in line with the new guidelines.

Developments: *Significant Progress*

The difference in the honoraria was paid to the respective members in arrears. Remuneration to Board members is now being calculated in line with the cited guidelines; however, the Permanent Secretary's approval for the

[7] One of the contracts expired in July 2020 whilst the other two expired in early 2021.

[8] *Minutes of Board meeting held on 30 June 2017 indicate that "the Chairman was informed by the Chief of Staff at the then Ministry for Justice, Culture and Local Government, that the Board was to continue operating as before, until formal communication is given by the Ministry".*

Board's categorisation, as required by Article 2.9 of the related Manual was not traced. The Board is currently categorised as Managerial Board at Level 3 with remuneration pegged to 6% of salary scale 4.

Lack of Control on Travel

Review of the overseas travel revealed instances of non-compliance with the provisions of the PSMC. The following relate:

a. *None of the eight visits abroad made by a senior official were supported by an invitation or official agenda. Moreover, the visits in question were not approved by a higher authority.*

b. *Rather than advancing a subsistence allowance, MPO was paying in full for any expenses incurred by the foregoing senior official whilst on official overseas duties.*

c. *The lack of documentation covering visits abroad also hindered the auditors from ascertaining that the portion of subsistence allowance advanced to administrative staff was correct.*

d. *Reports containing the purpose and benefits achieved from visits abroad on official business, as required by MFEI Circular No. 5/2012 – 'Travel on Official Duty', were not being prepared and forwarded to the respective Ministry.*

MPO is to invariably adhere to the provisions of the PSMC with respect to travelling abroad. This entails that when performing official duties overseas, officers are given a subsistence allowance in accordance with the per diem rates set by MFIN. Moreover, substantiating documentation enabling verification of the relative components paid is to be maintained at all times.

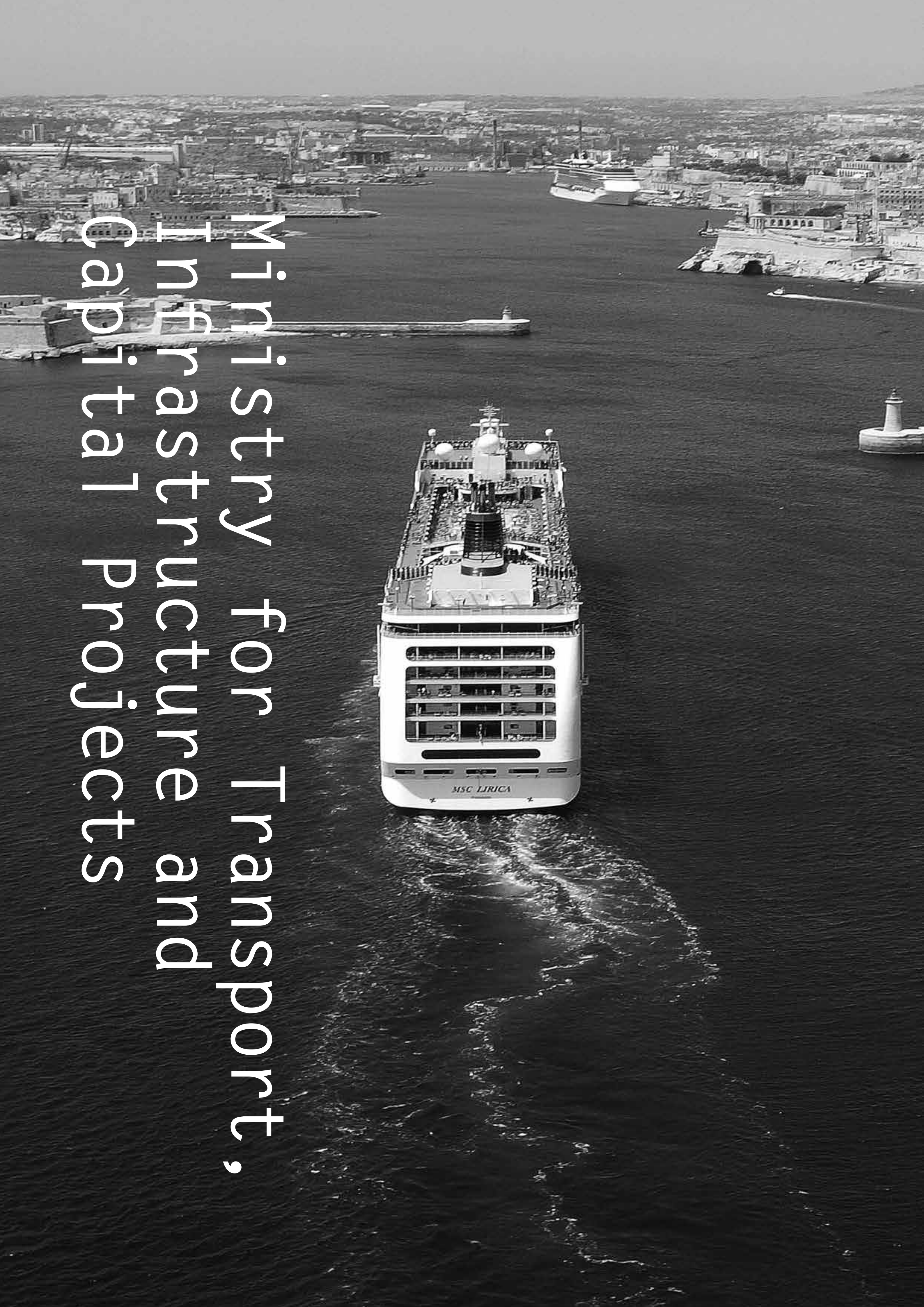
Reports are also to be compiled by the travelling officers and submitted to the Ministry within one month after the visit, thereby enhancing accountability. An official programme of duty visits abroad, covering all MPO staff, is also to be prepared at the beginning of each year, clearly identifying the purpose of the official travel to be undertaken.

Developments: *Significant Progress*

To complement the policies set in the Manual on Transport and Travel Procedures, the entity formulated internal procedures to be applied for travel overseas. However, these do not stipulate how travelling by the senior official is to be conducted.

Conclusion

NAO acknowledges that significant efforts were made by MPO to take on board recommendations put forward in the 2017 Audit Report. However, Management is encouraged to direct attention towards issues which were not fully addressed, to enhance good governance.



Ministry for Transport, Infrastructure and Capital Projects

Grand Harbour Regeneration Corporation

Background

The Annual Audit Report of 2016 published by the National Audit Office (NAO) included a write-up on the capital expenditure incurred by the Grand Harbour Regeneration Corporation (GHRC). This entity is registered under Schedule 3 of the Public Procurement Regulations and administers its own procurement in accordance with the provisions of the relative legislation.

The main objective of this audit was to assess whether capital expenditure incurred by GHRC during 2016 was in compliance with financial regulations and policies. A number of shortcomings related to contract for service agreements awarded by GHRC and retrospective approvals were noted.

Compliance Issues

Shortcomings with respect to Contract for Service Agreements

GHRC confirmed that as from 2015, it recurred to the employment of personnel on a contract for service basis to supplement its resources and implement the projects within the time, budget and scope parameters. As a result, GHRC issued expressions of interest for different posts, followed by interviews, and each of the 12 successful applicants were offered a contract for service. However, shortcomings in this respect were noted.

GHRC could not trace any documentation relating to the expression of interest for the post of Administrative Clerk that was issued in November 2015, except for the application submitted. Thus, NAO was not in a position to verify the selection process following the respective publication.

An individual had originally applied to render architectural services, following an expression of interest for Junior or Senior Architects issued by GHRC in May 2016. These services were required in connection with the tender for works on the Triton Square project and Valletta Ditch. In view of the increasing demand for the preparation and compilation of various tenders, coupled with the resignation of the Quantity Surveyor, in August 2016, GHRC made arrangements with this individual to assist the Corporation in this respect and another contract was entered into instead of issuing a fresh expression of interest.

GHRC is to ensure that it has all documentation pertaining to the appropriate calls for expression of interest for audit trail purposes. This is to include a valid and signed agreement that covers all work periods. Moreover, GHRC is to retain all relative documents for full audit trail.

Developments: *Significant Progress*

GHRC confirmed that, following NAO's audit, no further calls to engage personnel of professional expertise were made. As at follow-up audit date, October 2020, employees on GHRC's payroll comprised 23 full-time officers. Another nine were engaged through a contract for service. GHRC is awaiting approval of its human resources plan from the People and Standards Division within the Office of the Prime Minister, following which, calls for expressions of interest in compliance with Directive 7 – 'Delegation of Authority to Recruit in the Public Sector Entities', will be issued. Management stated that a full audit trail of engagement procedures will be kept.

Payment of Allowances

A contract with a Project Assistant was entered into in September 2016, providing for the applicable hourly rate and a fixed amount of €1,800 annually to cover related expenses[1]. However, this amount was not included in the respective invoices, thus not covered with the necessary fiscal receipt. This could be an issue of concern as regards the proper declaration of this income with the Inland Revenue Department, considering the fact that this individual is listed as VAT exempt.

Any amounts paid to the service provider should be covered by a proper invoice followed by a fiscal receipt upon payment. If such allowance is given in the form of reimbursement of expenses, proof of the related expenditure has to be submitted.

Developments: *Fully Implemented*

A breakdown of the annual reimbursement of expenditure from May 2017 up to April 2020 when the respective contract was terminated was provided and supported with fiscal receipts as stipulated in the respective contracts.

Contract for Service inclusive of Vacation Leave

Testing confirmed that a service provider invoiced GHRC for those hours when on vacation leave, even though the applicable agreement specifically stated that "this contract shall not create any relationship of employer and/or employee".

Vacation leave entitlement should not be applicable to persons engaged to provide service/s and who are not direct employees of GHRC.

Developments: *No Longer Applicable*

The contract of the service provider in question had expired, thus no longer giving his service. Through the list of the vacation leave entitlement, NAO confirmed that vacation leave was only granted to GHRC employees.

Retrospective Approvals

Retrospective Approval covering Variances in connection with Construction Works

In late January 2017, through the then Permanent Secretary for the Ministry for Transport and Infrastructure, NAO noted that GHRC requested a retrospective approval from the Department of Contracts to cover variations for the amount of €164,626, representing 33.4% increase on the original contract value in connection with the Triton Square project. According to GHRC, this related to unforeseeable works at tender preparation stage, works not requested at estimate stage and changes in design due to GHRC's requirements, as well as those caused by site constraints. Correspondence revealed that approval by the Department of Contracts was given in April 2017.

Direct Order Approval for Traffic Management Services

In October 2016, GHRC entered into a contract with a local service provider to carry out works in connection with the Triton Square embellishment project. The contract was valid for three months up to end of January 2017. However, it transpired that up to the end of 2016, a total of €40,974 were paid for such services without

[1] *Reimbursement covered "... fixed and mobile telephone expenses, internet subscription, fuel consumption and other work-related expenses, incurred by him in the course of his duties", calculated at €150 monthly.*

having appropriate Ministerial approval. A second agreement with the same service provider was entered into on 1 February 2017, valid for another three months. This was also signed prior to the necessary approval by the respective Minister, which was given a week later, thus constituting a retrospective direct order approval.

Appropriate planning is to be conducted prior to the issue of a call for quotations and/or tenders, also ensuring that tender documents and work specifications incorporate all material and services necessary for the full execution of the project. In the event that variations to projects are unavoidable, approval is to be requested and duly obtained before works are executed.

NAO also recommended that GHRC obtain the Minister's approval for procurement above the threshold of €10,000 (VAT excl.) in a timely manner, before entering into any commitments with service providers.

Developments: *Fully Implemented*

According to Management, GHRC employed a full-time Procurement Manager and during these last three years managed to have a functional Procurement Office, which adheres to the procedures outlined by the Department of Contracts when issuing calls for quotes and tenders through the electronic procurement system.

Moreover, GHRC confirmed that before committing itself with service providers and prior to issuing a call for tenders, a commitment form is approved by the respective Board. In the case of direct orders exceeding €10,000 (VAT excl.), the Minister's authorisation is obtained.

NAO obtained a list of awarded contracts from 2017 to October 2020, which procurement was acquired through tenders, direct orders or quotations, as well as the related variations. A sample of six contracts was selected and the respective agreements were verified to confirm that appropriate approval was obtained from the respective Minister for values above the established threshold and agreements were signed prior to the commencement of the respective works.

Conclusion

NAO satisfactorily noted that action has been taken by GHRC to address the shortcomings identified during the original audit.


Ministry for Education

Support to Voluntary Organisations and Civil Society Fund

Background

The National Audit Office (NAO) published a report entitled 'Support to Voluntary Organisations and Civil Society Fund' in its Report by the Auditor General – Public Accounts 2016. The objective of this audit was to verify that there was transparency and non-discrimination when distributing funds, as well as that all the required documentation was submitted and vetted accordingly before the disbursement of funds.

The main areas of concern following the initial audit included weak internal controls and certain funding not substantiated. Other shortcomings, particularly but not limited to irregularities in financial assistance and overpayments, were also noted.

Key Issues

Weak Internal Controls

No Deputising Officer

The assessment of applications pertaining to the Voluntary Organisations Project Scheme (VOPS) was only performed by one official at the Malta Council for the Voluntary Sector (MCVS) who was assigned such role. It further transpired that, although five out of the seven sampled organisations were granted the full amount for the 2016 call, the required evaluation of the final reports and related receipts was still pending the necessary verifications.

The key person dependency risk is to be mitigated by appointing another official and splitting the process accordingly. This will create segregation of duties and avoid delays in processing the applications.

Developments: *Fully Implemented*

VOPS guidelines for applicants and the related information pack for evaluators were revised to include the need that two independent assessors should be involved for each appraisal. In case of a discrepancy of more than 15 points between the assessments made by the said assessors, a third evaluator is asked to assist in the evaluation process. In such instances, the mean of the nearest two is taken. This practice was confirmed during testing of the evaluation of three randomly selected applications.

Lack of Standard Working Procedures

The Civil Society Fund (CSF) guidelines stipulated several criteria for an applicant to be eligible. However, a standard checklist to be filled in by MCVS officers was not in place. Due to the insufficient audit trail, NAO was not able to obtain a good understanding of the assessment methods used by the two MCVS officials, who worked separately on each CSF application submitted.

Standard working procedures are to be established for the checking of application forms and their eligibility. This is required to streamline the evaluation methodology and ensure transparency of the selection process. Furthermore, such workings and supporting documentation are to be filed for ease of reference, as well as for audit purposes.

Developments: *Fully Implemented*

Standard checklists have been established accordingly. From verifications carried out on a sample of two applications submitted, it was satisfactorily noted that these checklists were used during the evaluation of said applications.

Funding not substantiated

During the introductory meeting with the then Ministry for Social Dialogue, Consumer Affairs and Civil Liberties, it was established that as from year 2015, one of the associations in Malta was to receive a maximum of €30,000 per annum. However, the evidence substantiating the claim for the amount in question for the year under review, as well other supporting documentation, was not made available for audit purposes.

Disbursements from public funds are not to be effected unless the required evidence of the amount claimed and all documentation stipulated in the related guidelines are submitted. Moreover, only eligible costs are to be reimbursed.

Developments: *Fully Implemented*

All disbursements effected to this particular association for year 2020, totalling €58,000, were substantiated as stipulated in the related guidelines. The required grant agreement backing the respective payments made to the association in question was also made available[1].

Control Issues

Support to Voluntary Organisations

Subjective Financial Capacity Assessment of the Beneficiary

As per VOPS guidelines, the applicant must show that it has stable and sufficient financial resources to support 40% of the amount granted. According to MCVS, the evaluators use the audited accounts and/or the annual returns submitted by the organisation to assess the financial capacity. However, which financial information was taken by the evaluators as a basis for analysis was not established, suggesting that this was subject to interpretation.

Moreover, it was noted that all the 15 evaluation sheets reviewed indicated that the financial capacity was calculated on 20% and not 40% as per guidelines. This means that the evaluators have used a percentage which is different to the one that was established to calculate the indicator in question.

NAO acknowledges that a financial calculator was designed for the 2017 call. However, in future, the applicable procedures are to be established beforehand, in order to minimise the risk of discrimination between the applicants. In addition, evaluation sheets are to be amended accordingly to avoid any misinterpretation.

[1] The grant agreement covered eligible costs for calendar years 2018, 2019 and 2020.

Developments: *Fully Implemented*

VOPS guidelines for 2020 applications addressed the co-financing aspect, whereby the grant allocation shall support 80% of the project, while the beneficiary shall fund the remaining 20% for project-based initiatives, as well as infrastructural and research projects. From documentation provided for three applications, it was confirmed that an objective financial capacity assessment of the beneficiaries was carried out for the sampled cases reviewed.

Required Documents not submitted

In line with the guidelines, unless annual returns, as submitted to the Commissioner for Voluntary Organisations, are forwarded with the application, the latter is considered ineligible. However, one application from those sampled, was still processed and funding of €25,000 provided, notwithstanding that the respective organisation did not submit its annual returns. Moreover, the first two evaluators indicated that financial capacity to support implementation of the project was unsatisfactory, both giving three marks out of ten in their assessment. In the circumstances, the basis on which such eligibility was given is questionable.

Unless all the required documentation is submitted with the application, it cannot be considered eligible.

Developments: *Fully Implemented*

From verification carried out on a sample of three applications, it was confirmed that in these cases the required documentation was submitted with the applications.

Changes to Markings not endorsed

Seven out of the 15 evaluation sheets reviewed (47%), which included changes to the original markings, were not endorsed by the respective evaluator; whilst one of the evaluation sheets was not signed.

Evaluators are to endorse any changes and include the respective date, to give assurance that changes were made with their consent and in a timely manner.

Developments: *Fully Implemented*

MCVS confirmed that they have now implemented an e-marking system which is sent to each evaluator and is returned via email duly filled. Thus, with this new procedure, no changes to marking is possible.

Irregularities in Financial Assistance

A total of 15 clubs and/or groups received an aggregate of €59,300 as financial assistance during 2016, from one of the line items reviewed, namely 5070. According to the then Ministry for Social Dialogue, Consumer Affairs and Civil Liberties, such assistance was considered as contingency. Consequently, testing was carried out in line with the Voluntary Organisations Contingency Fund Rules of Procedures, which state that these funds are to provide financial support to voluntary organisations and/or individuals working in the voluntary sector in case of predicament, exceptional situations or in such cases that are not eligible to request funding support under other funding lines. The following irregularities were noted:

a. *Since approval from the right level of authority within the then Ministry for Social Dialogue, Consumer Affairs and Civil Liberties, for eight payments amounting to €12,300, was not evident, NAO could not confirm that the related payments were duly approved.*

b. *The respective rules of procedures state that a pre-financing of 80% of the approved amount is to be granted. However, 14 out of the 15 sampled entities received 100% in one instalment, whilst 90% was advanced to the remaining entity.*

c. *Although a requisite, receipts were not submitted by 13 out of the 14 beneficiaries who received the 100% funding. This weakens the necessary controls in confirming that funding was used for what it was ultimately requested.*

d. *In eight out of the nine instances wherein amounts approved exceeded €1,000, the required contract indicating the respective obligations was not drawn.*

The Voluntary Organisations Contingency Fund Rules of Procedures are to be invariably followed, to ensure that financial support is fairly distributed and to enable proper verification.

Developments: *Fully Implemented*

No similar irregularities were noted in respect of the three payments tested during this follow-up audit.

Civil Society Fund

Overpayments

Testing carried out on seven of the sampled organisations, that received funds from CSF, revealed overpayments in five cases relating to travel. Although, if taken individually, amounts are not always material, the high incidence of inaccuracies is of concern.

Reimbursement of flights and per diem allowances are to be provided in line with the established rates. Furthermore, overpayments are to be recovered accordingly, evidence of which is to be provided to NAO.

Developments: *Fully Implemented*

Evidence was provided confirming that the overpayments in question were recovered. Payments relating to one reviewed trip, undertaken by four officers in 2019, were accurately processed.

Published Results not updated

The results that were published online, regarding amounts awarded from CSF in 2016, did not include all the beneficiaries. When this write-up was finalised, the respective list was still not updated with 10 organisations receiving an aggregate amount of €75,840.

For the sake of transparency, a list of all organisations benefiting from CSF is to be published accordingly in a timely manner.

Developments: *Fully Implemented*

A list of all organisations benefitting from CSF in 2019 was published accordingly in a timely manner. Up to the date this write-up was finalised, the status of a number of applications pertaining to 2020 was still pending. MCVS confirmed that CSF evaluation is ongoing due to other priorities related to COVID-19 pandemic. Results may only be published once the full process is complete.

Contributions not formally backed up

During the introductory meeting, NAO was informed that the Government had decided to contribute €58,200 annually to five non-Government entities known as the big-five, whilst, as indicated above, a specific association was to receive the annual sum of €30,000. However, MCVS was not in possession of any official supporting documentation from where such entitlement emanates. This shortcoming was already encountered during a previous audit titled 'Forum Malta fl-Ewropa' and reported upon in the Annual Audit Report by the Auditor General – Public Accounts 2008.

Whilst acknowledging that amounts were established when such contributions were still not under the remit of MCVS, the latter is to ensure that any amounts distributed from public funds are authorised in writing from the right level of authority.

Developments: *Significant Progress*

Contributions made in respect of year 2020 were all formally backed up by grant agreements, signed by the Permanent Secretary of the Ministry for Education and Employment, with each of the respective six organisations. However, two of these agreements were entered into retrospectively.

Conclusion

NAO satisfactorily noted that considerable effort was made by MCVS to address the shortcomings highlighted in the 2016 Report in order to strengthen its controls and ensure compliance.

Junior College

Background

In the Annual Audit Report for 2016, the National Audit Office (NAO) published a write-up on personal emoluments at Junior College. The main scope of the audit was to establish whether sufficient internal controls were in place for the payment of salaries and allowances effected to the various categories of employees within the College during financial year 2016, as well as to ensure adherence to applicable regulations and agreements. As at December 2020, the employee list comprised 164 academics, as well as 47 support and administrative staff. The personal emoluments of the said College are incorporated with the payroll of the University of Malta and processed through the latter's system.

Key Issue

Financial Report Concerns

The Junior College budget allocation under line item 6374, which for the year 2016 stood at €9.5 million, was shown separately from line item 6701, relating to the University of Malta and which amounted to €67.7 million. However, financial transactions pertaining to both entities were accounted for together for reporting purposes. According to Management, the College is treated as a faculty within the University.

Management's attention was drawn to the pertinent legal notice, which states that Junior College is accountable to the Minister through its own Board as established in the statute. Thus, Management was recommended to obtain legal advice to address this issue without delay.

Developments: *Not Implemented*

As at end of January 2021, the situation had not changed as no action had been taken in this respect.

Control Issues

Lack of Control on Overtime

Most overtime payments tested were only officially approved after the respective work was performed, not beforehand, indicating lack of control. Moreover, instances were noted where officers who claimed overtime did not record the extra hours on the attendance sheets. The only documentation available to support payments effected were the individual claims, in which the officers entered the date, time and the number of hours worked. Thus, the necessary verification could not be performed by the Payroll Office before claims were processed for payment.

The performance of overtime is to be justified and officially authorised prior to its commencement. Management was also encouraged to introduce an automated system to record all staff attendances and facilitate the cumbersome manual process related to the payroll function.

Developments: *Partly Implemented*

Overtime payments effected to a sample of five officers during 2020 were selected for verification. This Office was not provided with the request for overtime form pertaining to one of these officers. As for the rest of the sample, instances were noted where the approval was either undated or obtained after the work was performed. An automated attendance recording system was introduced since the initial audit; however, some records were only made available after the follow-up exercise was concluded and respective report forwarded to Management.

Shortcomings related to Remuneration Rates and Allowances

Three academic staff sampled from the Junior College were remunerated an aggregate amount of €11,327 in the relative payrolls for matriculation examination services. The respective Director provided the rates applicable for setters, markers and reviewers, for the three examination levels[1], which rates were last revised during September 2014. From enquiries made it was established that proposed rates have to be officially authorised, but no evidence of such approval was provided for audit purposes.

In addition, area and subject coordinators may be appointed for a four-year period and may also be eligible for reappointment. It was observed that the respective reappointment of a subject coordinator was not backed up with the necessary documentation. Furthermore, the coordinators receive allowances of €600 and €1,000 respectively per annum[2]. However, evidence supporting the authorisation of these amounts was also not provided.

Appointments as well as reappointments are to be substantiated with supporting documents to ensure a complete audit trail. Additionally, applicable rates are to be backed up by the necessary authorisation.

Developments: *Partly Implemented*

No indication was provided that the applicable rate for remuneration and allowances in question were duly approved. Evidence confirming the reappointment of a subject coordinator was made available after the audit was concluded and observations reported upon.

Compliance Issues

Late submission of Returns to the Inland Revenue Department

The Payee Statement of Earnings (FS3) of all employees, together with the Payer's Annual Reconciliation Statement (FS7) for the year 2016, had to be submitted to the Inland Revenue Department by 15 February 2017. However, the statements of earnings made available were dated 30 March 2017. Moreover, the said reconciliation had not yet been generated by the time the management letter was concluded (May 2017), signifying another delay in submission.

Late submissions are subject to penalties emanating from the relative legislation. Thus, the pertinent returns are to be timely forwarded to the respective Department.

Developments: *Not Implemented*

From documentation made available, it was noted that the respective submissions were not made within the stipulated deadline.

---

1 *Secondary, Intermediate and Advanced.*
2 *In 2016, this expense totalled €21,000.*

Lack of Control over Advances from the Academic Resources Fund

Supporting documents for expenditure incurred from the Academic Resources Fund[3] by academics were not always available. Moreover, although the Finance Office was responsible to perform random audits regularly to ensure that expenditure was in line with the established policies and procedures, no evidence was provided to confirm that these checks were being carried out.

Due to the annual substantial outlay of funds, the regular verification of expenditure reports was encouraged to enhance compliance and accountability.

Additionally, the supporting documents attached to the expenditure reports were to be checked upon submission to the Office of Human Resource Management and Development, before the subsequent annual advance is given to the eligible individuals.

Developments: *Partly Implemented*

In a report issued by the University of Malta Internal Audit Function in January 2020[4], the payment of ineligible expenditure, as well as the absence of supporting documentation in connection with this Fund was considered as high-risk rating. According to the same report, the Finance Section does not have enough resources to conduct regular audits on the Academic Resources Fund. However, the internal audit team started conducting annual verifications on a sample basis.

Conclusion

Overall, limited progress was made as various shortcomings highlighted in the 2016 Report remained unaddressed. Whilst NAO acknowledges that the recent set-up of the Internal Audit Function was a step in the right direction, Management is encouraged to take remedial action to address the remaining observations, as well as those identified by the said Function.

Throughout the audit fieldwork, NAO also noted that the latest available collective agreement covers the years from 2014 to 2018. Management confirmed that negotiations for a new agreement were still ongoing in January 2021.

---

[3] *The Academic Resources Fund is intended for staff to support their teaching, activities related to curriculum developments and the promotion of their subject in schools.*

[4] The internal audit assignment was carried out between May and July 2019.

Gozo Schools

Background

In its Annual Audit Report for 2016, the National Audit Office (NAO) published the outcome of an audit which focused on the inventory and contractual cleaning services of Gozo schools. The objective of this audit was to evaluate the adequacy of controls over inventory and identify whether Management complied with the applicable regulations. The audit also focused on the cost of sub-contracted cleaning services, including the evaluation of the control system in place pertaining to the procurement and respective payments.

Disclaimer

As a result of the circumstances associated with the COVID-19 pandemic, NAO was hindered from performing physical audit inspections on the inventory items situated within the Gozo schools. Hence, any potential developments to this effect could not be identified and reported upon.

Control Issues

Gozo Schools' Inventory

Various Shortcomings in the Electronic Inventory Database

The inventory database used to record schools' inventory provided for audit purposes did not fully comply with the provisions of the pertinent circular and relevant instructions issued from the Inventory Department:

a. *Occasionally, the description of the assets as included in the inventory's lists lacked important details, resulting in instances where the nature of the respective item could not be ascertained.*

b. *Homogeneous items having the same location and asset identification number, such as chairs and desks, were included in the database individually, rather than as one group of assets with the respective number of units being reflected in the quantity.*

c. *Consumables, disposable or perishable items, such as stationery items having a trivial value, were still recorded as inventory items.*

d. *A number of items recorded in the database were either obsolete, damaged or to be disposed of.*

e. *On certain instances, assets were classified under the wrong asset category.*

The updating of the inventory database was to be given utmost priority, even in view of Government's move to accrual accounting. Moreover, all assets were to be recorded therein with an accurate and detailed description, enabling traceability from purchase, as well as to the respective location.

Developments: *Partly Implemented*

From review of the Gozo schools' inventory database provided for the purpose of this follow-up audit, it was noted that, in their majority, the shortcomings identified during the previous audit were rectified, except that certain homogeneous items, having the same location and asset identification number, such as ceiling fans, lockers and blinds, were still recorded individually. In addition, consumable, disposable or perishable items with immaterial value still featured within the inventory database.

A number of items were also recorded at a nil value while others, which according to the Ministry for Education and Employment (MEDE) related to donated items[1], were given a nominal value of €0.25.

Inventory Write-offs

Despite that write-offs were to be approved by the Permanent Secretary or the Director General (Operations) in line with standing procedures, the requests relating to those items that were not physically traced at two of the sampled schools were not accordingly endorsed. The statement, certifying that the assets were found to be obsolete, unserviceable or beyond economical repair, was also left blank. Furthermore, write-off forms were not provided to support the list of missing items of the other two schools selected for review. In the case of one of these schools, the respective list was not even endorsed by the Head.

Regardless of the lack of approvals, the items listed as missing were still removed from the inventory database of the two schools in question.

Write-off approvals are to be duly sought and appropriately documented, clearly indicating the name of the officer granting the relevant authority and the respective date. Heads of schools are also to fully comply with the applicable regulations and to duly compile the write-off forms.

Developments: *Partly Implemented*

The write-off forms were signed by the Head of schools and the Director General; however, the related School Council Board Letters, indicating verification of the inspection of the items written off, were not in place for two out of the four schools in the original audit sample, namely Victoria and Sannat Primary Schools. According to the Ministry for Education, in the latter case, write-off forms were "*… endorsed by the Head of College Network in the absence of an active school Council at the time*". It also transpired that, in the case of the foregoing school, notwithstanding that there were several technical items written off, such as television, dehumidifier, air cleaners, telephones and radio cassettes, a report signed by a technical person that the items in question were unserviceable, was also not prepared.

Cleaning Expenditure

Incomparable Cleaning Costs per Student

An analysis of cleaning expenditure incurred by all Gozo Primary Schools revealed that, for the six-month period January to June 2016, cleaning costs ranged from €54 to €363 per student[2]. This primarily results from a significantly low population in certain schools, thereby ensuing a higher operational cost per student.

Given the abnormal cleaning costs per student, in a number of schools where the student population is very low,

[1] Chairs at San Lawrenz Primary School and a shredder at Rabat Middle School.

[2] *The average expenditure across all Primary Schools in Gozo stood at €120 per student.*

MEDE was encouraged to find solutions where staff performing cleaning duties were shared between different schools to become more cost effective.

Developments: *Not Implemented*

For the purpose of this follow-up audit, an analysis similar to that carried out during the previous audit, but based on the number of cleaning hours rather than the related expenditure, was carried out. This exercise, which was performed by comparing the total student population to the total number of cleaning hours[3] for 2020, revealed an average rate of 46 cleaning hours per student; in one particular school this was over four times as much. As already reported in 2016, this scenario is due to a significantly low population in a number of Gozo schools, thereby resulting in a higher cleaning cost per student. Better utilisation of space and allocation of students between the available schools would minimise cleaning costs.

Procurement not covered by any Documentation

From February 2016, a cleaning contractor started providing services at Nadur Primary School, despite that this was neither included in the direct order approval granted by the Ministry for Finance in December 2015, nor in the respective contract signed on 21 May 2016, after the award of tender. Furthermore, the terms agreed upon with the contractor for these services could not be retrieved by the school in question, thus hindering validation of invoiced hours and chargeable rates.

Procurement is to be carried out in line with the Public Procurement Regulations, thus ensuring fairness and transparency.

Developments: *Party Implemented*

Following a public call for tenders, on 26 September 2019, a contract for the provision of environmentally friendly cleaning services in state schools and educational facilities, including a number of schools forming part of the Gozo College, was entered into between the Department of Contracts, on behalf of MEDE, and a local service provider for a maximum of four years (two years with the possibility of being extended for a further two years).

However, from audit verifications it was noted that, during 2020, cleaning services at Għajnsielem, Xewkija and Għarb primaries were also being rendered by the foregoing service provider notwithstanding that these schools were not specifically covered by the agreement. MEDE claimed that the "*… service can be included with the contract variation as long as the capping is not exceeded …*" and that "*… the repetition of service (extra hours) … shall be capped at 20% of the contract value*"; but there is the possibility that this amount will be exceeded before the contract expires, once additional schools not covered by the agreement are included.

Divergences from the Contracted Service Terms

According to the respective contract in place during 2016, the cleaning contractor was to provide four hours of services at Victoria Primary and a total of 24 man-hours at Sannat Primary on a daily basis. The following were noted:

a. With the exception of a three-week period, between January and June 2016, attendance records of Victoria Primary covered eight hours per day, i.e. double the initial allocated hours.

[3] Analysis based on contactors' cleaning hours and Government employees cleaning hours based on a 40-hour week for 2020 as provided by MEDE.

b. *No formal request as required in terms of the respective agreement provision, was ever raised for cleaning services during school holidays (skola sajf), notwithstanding that the number of cleaning hours at both schools remained unchanged during the summer of 2016.*

Regular checks, aimed specifically at ensuring that contracted terms and conditions are abided with, were to be incorporated in the monitoring process. Moreover, any changes were to be formally approved, documented and endorsed by both parties.

Developments: *Not Implemented*

From the follow-up review of the four sampled schools, namely Victoria, Nadur and Sannat Primary Schools, and Victoria Secondary School, it transpired that:

- the number of cleaners assigned at the respective schools exceeded those estimated in the agreement;
- actual hours billed per month always exceeded the monthly hours established in the agreement; and
- according to the contract, cleaners should work eight hours daily; however, hours recorded in the timesheets differed, ranging from less than three hours to nearly ten hours (generally 9.75 hours). Yet MEDE was still charged for eight hours daily. According to MEDE, "*... cleaners were asked (on a voluntary basis) to work an additional hour during the scholastic year so that they bank it and work less hours during the summer recess*". MEDE further stated that "*the banking of hours system allows for more cleaning hours during the school days without further expenditure to the Government*". However, if this system is acceptable to MEDE, the supplier is still expected to issue invoices based on the actual number of hours worked by the cleaners during a particular month.

It also transpired that, although the agreement did not specify any cleaning services required at Xagħra Primary during 2020, services were still rendered during the said year. In this regard, MEDE stated that "*cleaning in 2020 was increased mainly due to the pandemic situation to ensure that the cleaning protocols issued by the Health Authorities are strictly adhered to*". However, except for the respective timesheets, no evidence was provided that this service was requested by the school in question.

Pending Invoices not accrued for

Review of the accruals' list provided for audit purposes revealed that pending cleaning invoices were not recorded therein.

MEDE was to adhere to the provisions of MF Circular No. 10/2001 – 'Government Accrual Accounting: Procedures for the Control of Debtors and Creditors' and accordingly record all obligations for goods and services that have been received but not yet invoiced by year-end as accrued liabilities.

Developments: *Fully Implemented*

Following verifications of accrued expenses it was confirmed that all pending invoices as at end of 2020 were accounted for.

Conclusion

NAO acknowledges that significant efforts were made by Management to take on board recommendations put forward following the 2016 audit. However, stricter controls are expected, especially in the management of cleaning services within schools, in order to obtain more value for money for the service.

Ministry for Home Affairs, National Security and Law Enforcement

Civil Protection Department

Background

The findings of the expenditure audit on the Civil Protection Department (CPD) were published by the National Audit Office (NAO) in the Annual Audit Report for 2016. The main objectives of the audit were to determine the level of internal controls over the procurement and management of items of a capital nature, and to ensure efficient administration of public funds.

Other objectives were to assess the reliability and adequacy of information recorded in the Fleet Management System (FMS), that the relevant sections of the Public Service Management Code regulating transport were complied with, and that inventory records were properly maintained.

Key Issue

Over One Million Euro paid for Fire Engines with Technical Faults

A tender, for the supply and delivery of six light fire engines and one large capacity foam carrier, was awarded for the amount of €1,163,958 to a foreign company. The contract specified that 60% of the payment should be made on delivery, with the remaining 40% to be settled following commissioning of equipment and the issuance of the provisional acceptance document. The fleet was eventually delivered to CPD in December 2016. The following shortcomings refer:

a. *Technical issues were still not resolved by mid-September 2017 when the audit was concluded. Thus, the vehicles in question were still not fully operational.*

b. *Notwithstanding the above, except for €120,000 representing a late penalty fee, covering a delay of more than seven months in the delivery, the invoiced amount was paid in full in March 2017.*

c. *The original bank guarantee, amounting to €116,396, was extended till January 2017. However, evidence of subsequent extension was not provided for audit purposes.*

Good governance implies that payments are not to be authorised prior to verification that delivered items are in full compliance with the agreed terms and function properly. It is also imperative that the contractor submits the required bank guarantees, if so required in the tender document, covering the entire period of the contract.

Developments: *Significant Progress*

It was confirmed that, in addition to the penalty of €120,000 for the late delivery, the supplier also paid the amount of €116,396, equivalent to the amount of the bank guarantee, in lieu of the required pledge. The pending issues remained unresolved by the supplier, thus the acceptance certificates for the fire engines and the foam carrier were never drawn up.

NAO was eventually informed that, in 2017, relationship with the supplier was terminated, and CPD asked a German fire engine manufacturer, who had supplied the vehicle chassis, to look into the problem. This was done at no commercial charge to CPD other than transportation costs of one vehicle to Germany to identify what the problem was. Following months of testing, the vehicle was repaired, deemed operational, and underwent further stress tests to ensure reliability.

In 2018, the technician eventually oversaw that the software of all remaining vehicles in Malta was upgraded, and the vehicles were put on the front line during the same year.

CPD also stated that it is now ensuring that all payments are strictly effected in line with the respective contracts and only following the issue of the acceptance certificates. This was confirmed through a review of 25 transactions, which payments were in line with the related agreements. In cases where an item was not yet delivered, a percentage of the total cost was withheld pending delivery and the issue of the acceptance certificate.

Control Issues

Procurement of Foam

A review of the procedure adopted for the procurement of 26,000 litres of film forming fluoroprotein foam, as well as 10,000 litres of high expansion foam, for which a local entity was paid the aggregate amount of €106,884, revealed the following concerns:

a. Notwithstanding that in July 2016 CPD was still in time to issue a call for tender, it was decided that procurement was to be based on quotations, sought through emails, and approval for a direct order was then to be obtained from the Ministry for Finance. The first requests for quotes failed to indicate the deadline for the submission of bids; thus, a new call with a specific deadline of 31 August 2016 was reissued.

b. The contract agreement was finally endorsed by both parties in early December 2016, implying that the procurement of this item was not urgent as suggested in the early stages of the procurement process.

CPD is to acquire its goods and services in line with the applicable procurement regulations, thus ascertaining transparency and fairness, as well as ensuring that the most competitive prices are obtained.

Developments: *Partly Implemented*

Instructions based on the provisions of the Public Procurement Regulations (S.L. 174.04) were issued by CPD to its staff. These were followed by a formal standard operating procedure, also indicating that every procurement is to be invariably approved by Director CPD. However, testing on 25 payments showed that procurement was still not carried out in line with regulations, since quotations related to the procurement of uniforms and cleaning items over the established thresholds were not sought through the Government's e-procurement platform.

CPD confirmed that procurement over €5,000 (VAT excl.) is still being effected through collection of quotations and not through electronic public procurement system, since the Department is still short of administrative staff, with no procurement officers as yet.

Procurement of a Maritime Night Vision Camera

a. Although payment of €50,529 for the Gyro Stabilised Thermal Night Vision and Low Light Camera System was fully effected in December 2016, the respective equipment was not yet installed on CPD's vessel Garibaldi. This notwithstanding that, according to clause 4 of the contract, payment was to be made upon the completion of the job. It was later established that this was still stored for safekeeping at the Head Office in Ta' Kandja since its installation was postponed to an unspecified date.

b. The same supplier was also paid for in-house operational and application training sessions, which training was not delivered.

c. The camera in question was not included in the inventory database provided by CPD for audit purposes, notwithstanding that this condition was also spelled out upon the approval for direct order.

d. The copy of the contract between CPD and the contractor, provided for audit purposes, was only signed by the latter.

Besides following the applicable procurement regulations, CPD is also expected to include the camera system in its inventory as this falls within the category of fixed assets.

Developments: *Fully Implemented*

NAO confirmed that the camera was installed and fully operational and was also recorded in the inventory database. A copy of the contract, signed by both parties, was made available together with evidence of the training provided. Further testing showed that inventory items were duly recorded in the inventory database, as reported further on in this write-up.

Data Fragmentation

Departmental procurement files reviewed for audit purposes revealed that, at times, data disclosed therein was fragmented; hence a proper audit trail was lacking. Correspondence with service providers was retained on personal computers, rather than minuted and filed, physically or electronically, for future reference.

For the sake of transparency and efficiency, documentation relating to procurement is to be maintained in an organised and systematic manner so as to ensure adequate audit trail.

Developments: *Fully Implemented*

Due to the COVID-19 situation, audit testing was based on documents made available electronically. However, it was positively noted that, all the information requested was forwarded for NAO's perusal in a timely manner and payments were duly supported by adequate audit trail.

Approvals from the Right Level of Authority not traced

From the sample selected it was noted that, in a number of occasions, CPD refrained from obtaining approvals from the right level of authority, as required by standing regulations.

Controls are expected to be in place to ensure that the necessary approvals are obtained beforehand. Payments are not to be effected unless such evidence is provided.

Developments: ***Fully Implemented***

Approvals were covered in the aforementioned operating procedures issued to CPD staff. A review of 25 payment vouchers showed that the established policies were observed and all payments were approved from the right level of authority, i.e. by the Director General CPD, Permanent Secretary or the Ministry for Finance and Financial Services as applicable.

Insufficient Control over Fleet and Fuel Consumption

A review of the logbooks held revealed that these were not being maintained as required by pertinent regulations, thus leading to insufficient control.

Shortcomings varied from excessive mileage recorded when daily checks on the vehicles are performed, mileage recorded only at the end of the day rather than after every journey, as well as lack of necessary details. Furthermore, no evidence was traced to confirm that these records were being inspected periodically by a responsible officer. Moreover, three instances were encountered whereby closing odometer readings were higher than the mileage readings taken after the subsequent journey.

CPD is encouraged to use the specimen logbook provided in the Manual on Transport and Travel Policies and Procedures for all vehicles.

Developments: ***Partly Implemented***

The upkeep of vehicle logbooks was one of the items included in an internal circular issued by CPD, wherein it was specified that journeys performed are to be recorded, indicating the purpose and description of the journey. It also stated that the logbooks are to be verified and certified by a responsible officer. However, from the two logbooks reviewed by NAO, only one complied with this circular. Moreover, as indicated further on in this write-up, no evidence was provided showing that adequate monitoring was performed through FMS.

Lack of Adequate Internal Controls to safeguard Stock of Fuel at the Marine Section

During the year under review, CPD procured 4,515 litres of fuel in portable cans, costing €5,718, mainly for marine transport, fork lifters, generators and rescue equipment found on fire-fighting vehicles, and training.

During a visit at the Marine Section, NAO observed that, although these portable fuel tanks were stored behind a locked iron gate, the respective key was not placed in a secure location but could be easily accessed by all the employees. In addition, the storage place was also accessible to third parties who had any means of marine transport.

Strengthening the security around the fuel storage facilities, by implementing measures that restrict physical access by unauthorised persons, is of utmost importance. Stores are also to be locked at all times and access to such keys is to be entrusted to an accountable officer. Keys are also expected to be locked up in a secured place when not in use.

Developments: ***Fully Implemented***

Fuel storage is now kept under lock and key, with access to the key limited to the station manager and three leaders. Each time the fuel storage is accessed, a record is made in a manual register clearly showing the date and name of officer accessing the store, while a separate manual record is kept showing the amount of fuel received or issued. Both these records are regularly inspected and endorsed by the station manager. Moreover, a security camera was also installed at the fuel storage location, whose recorder is also kept under lock and key.

Repairs on Vehicles not recorded in the Fleet Management System

A disparity was noted between expenditure incurred for repairs and maintenance on the fleet maintained by CPD as recorded in the Departmental Accounting System (DAS), which during 2016 amounted to €170,423, and that disclosed in FMS totalling €128,354. This means that related costs are not fully allocated to specific vehicles or marine crafts and recorded accordingly in FMS.

Management is to ensure that FMS is updated with expenditure incurred on the fleet falling under its responsibility. Controls can be strengthened through regular reconciliations between payments for repairs and maintenance as recorded in DAS and those disclosed in FMS.

Developments: Significant Progress

Guidance in this regard was also included in the aforementioned internal circular stipulating that FMS is to be continually updated with all expenditure incurred, including records of fuel cans procured. According to CPD, two reconciliations between DAS and FMS were carried out in January and July 2020, however, despite requests, evidence to this effect was not provided to NAO. CPD stated that while improvements were evident, some discrepancies were still noted, arising from records which were not inputted in FMS. This was also confirmed from an independent reconciliation undertaken by NAO, where a comparison of FMS balance as at end September 2020 and DAS records for the same period showed a discrepancy of €5,503[1] between the respective balances of €117,842 and €112,339.

According to CPD, verbal instructions were issued to the accounts officers to forward all vehicle related payments to the officer in charge of FMS[2] and it will also be issuing an internal memo addressed to CPD Senior Officers, reminding them to record all expenses incurred on their vehicles, on FMS.

Procurement of Spare Parts

A sampled payment of €5,407, covering four invoices raised for spare parts between August and September 2016, revealed the following shortcomings:

a. *Director's approval for the procurement of the respective spare parts was not in place.*

b. *Audit trail, comprising the actual order placed and any related correspondence with the supplier, was not provided for audit purposes. Rather than filed for future reference, such documentation is deleted upon the receipt of goods.*

Director's clearance is to be sought prior to the placing of such orders. For the sake of transparency and accountability, full audit trail of a transaction, from its inception up to completion, is imperative.

Developments: *Fully Implemented*

The need for Director's approval prior to any commitment with regard to the procurement of spare parts or any other item was stressed in the internal circular, as well as CPD's standard operating procedures for procurement. A review of five payments related to the acquisition of spare parts showed that all were duly approved in line with set procedures.

[1] Discrepancy reported in 2016 report stood at €42,069.

[2] All FMS related work was being carried out by a Leading Assistance and Rescue Officer in 2020 due to a lack of administrative staff.

Inventory

The fixed asset register maintained was not in line with pertinent regulations, in view that certain details as outlined by the relevant circular, such as site code, room number in which the asset is located, total cost or value of the asset and an indication of whether the item is a heritage, donated or purchased asset, were completely omitted. In addition, verifications carried out on the inventory database produced for audit purposes revealed that a number of assets, procured and/or paid for during 2016, were not incorporated in the records provided. Furthermore, it was noted that control over inventory items was lacking.

The officer responsible for inventory is to ensure that records are thoroughly checked to identify any entries that are inconsistent with standing regulations. Moreover, the circular regulating inventory management is to be adhered to, so as to ensure that more effective control is maintained. A complete database is also required in view of the eventual transition to accrual accounting.

Developments: *Fully Implemented*

A sample of 14 payment vouchers covering acquisition of inventory items was reviewed. All acquisitions were traced in the inventory ledger, except for one payment voucher covering tents. It transpired that CPD was still awaiting the delivery of all items on order prior to their recording in the inventory ledger.

Conclusion

NAO satisfactorily noted that considerable effort was made by CPD to address the majority of shortcomings highlighted in the 2016 Report, in order to strengthen its controls and ensure compliance with standing regulations.

Detention Service

Background

A write-up related to the Detention Service was published by the National Audit Office (NAO) in the Report by the Auditor General – Public Accounts 2016. The main objectives of this audit were to determine the level of internal controls over expenditure and to ensure efficient administration of public funds by the Detention Service (DS), in line with standing laws, regulations, policies and procedures.

The audit revealed a number of issues; amongst others these included lack of control on management of human resources, procurement and inventory.

Key Issues

Lack of Control on Management of Human Resources

Internal controls in the payroll process were lacking, indicating that minimal or no monitoring was in place to ensure effective management of human resources. Furthermore, the person responsible for this area, including the updating of vacation leave, sick leave and Time Off In Lieu (TOIL) records, within DS was not familiar with the pertinent regulations. Below are examples of internal control failures identified during audit testing:

- *Personal record sheets not maintained.*
- *Incomplete and unreliable attendance records.*
- *Various incorrect castings on the vacation leave card.*
- *Application forms for vacation leave availed of not always traced, thus it could not be ensured that the respective absence was duly approved.*
- *Absences due to sickness not duly recorded and/or not always covered by a medical certificate.*
- *Lack of audit trial with respect to TOIL and donated leave.*
- *Payment of shift allowance to Detention Service Officers (DSOs) who were not entitled to such benefit.*

Control activities are essential features of every risk management strategy; thus, they are fundamental to the successful operation and day-to-day running of any entity. It is therefore recommended that DS develops its own internal control procedures, enabling it to respond to its specific needs. Ongoing monitoring thereof, to evaluate and improve the design, execution and effectiveness of internal controls, is also encouraged.

Regular reconciliation, between attendance sheets and vacation leave, is to be performed by the officer in charge of human resources, to ensure that the respective records are being updated accordingly.

Days of sick leave are not to be paid for unless supported by a valid medical certificate, covering the number of days taken and submitted to the Human Resources Section. Disciplinary proceedings are also to be initiated against officers who fail to abide by these procedures.

Developments: *Insignificant Progress*

DS confirmed that reconciliations between attendance sheets and vacation leave records were not carried out[1]. To this effect, Management also claimed that, although data is inputted in the payroll program by its Human Resources Office on a daily basis, the payroll system is administered centrally by the respective Ministry. According to DS, the Human Resources Office was ensuring that medical certificates were being submitted for every sick day taken by officers; however, this could not be verified due to lack of timely feedback from DS.

The Report Governance Action on the NAO's Annual Report 2016 Public Accounts, issued by the Office of the Principal Permanent Secretary, indicated that standard operating procedures were being developed. However, during this audit, DS confirmed that none were in place with regard to Human Resources, claiming that all regulations emanating from the Public Service Management Code (PSMC) were being followed.

Moreover, DS also claimed that although in 2020 a total of 116 new DSOs were recruited, the entity was still short of administrative personnel.

Incorrect Budgetary Allocation

Notwithstanding that Control Account 5421 titled 'Detention Service' was intended to finance the operational activity within closed detention centres, it transpired that, at times, substantial expenditure incurred in open centres and other entities within the Ministry was also being paid out from this account.

Funds allocated to DS should be based on proper budget allocations and relating solely to funds required to manage the closed detention centres.

Developments: *Not Implemented*

DS claimed that its budget was still controlled centrally by the Ministry for Home Affairs, National Security and Law Enforcement.

Control Issues

Attendance Records

Shortcomings in the Attendance Sheets maintained at Outposts

A review of the attendance sheets maintained at the different outposts, whereby DS personnel perform duties as temporary security officers, revealed that:

- *these records were kept by DSOs on duty rather than maintained securely by their superior. In addition, these were in the form of a logbook and thus were not compliant with the format established in the PSMC; and*
- *such records were not checked for correctness on a weekly basis as required by standing regulations.*

[1] This contradicts the feedback provided by DS, as featuring in the Report Governance Action on the NAO's Annual Report 2016 Public Accounts issued by the Office of the Principal Permanent Secretary within the Office of the Prime Minister, where the entity had stated that such reconciliations were being carried out.

It is important that attendance sheets maintained are in line with the template laid down in the PSMC. Furthermore, these are to be supervised on a daily basis, to ensure completeness and accuracy of the time recorded therein. Adequate controls are to be put in place in order to identify and duly address the shortcomings in the attendance records.

Developments: *Significant Progress*

Attendance sheets for February and September 2020 were reviewed by NAO. It was observed that these were being maintained in line with the prescribed format laid down in the PSMC. These were also certified by the respective Detail Officer, Assistant Principal and Assistant Director. However, the frequency of supervision of these attendance sheets could not be determined, as the respective certifications were not dated.

Leave

Incorrect Vacation Leave Deductions

When the vacation leave availed of by one of the sampled DSOs working on a shift basis lasted for a week or more at a stretch, only the hours of duty of the individual attendances were deducted from the leave entitlement. This contradicts section 3.1.2(c) of the PSMC, stipulating that in such cases "... the hours of the respective attendances and 'off duties' are to be deducted from the leave entitlement with the seventh day being considered as 'off duty' ...".

The entitlement to vacation leave comes at a cost and thus should be adequately controlled. To this effect, Management is to be guided by the related provisions of the PSMC.

Developments: *Not Implemented*[2]

DS provided NAO with details of officers who availed themselves of more than seven consecutive days of vacation leave during 2020, together with the corresponding application forms duly filled in and endorsed. However, the respective vacation leave records were not made available for audit purposes; thus, NAO could not verify whether deductions from the vacation leave entitlement were appropriately carried out in line with the PSMC.

Lack of Audit Trail

Lack of audit trail, hindering the necessary verifications, was noted in the following instances:

a. *Claims, requesting TOIL or payment of overtime for extra hours worked in excess of the normal working schedule were not substantiated by certified attendance records. Thus, the aggregate of 827 hours of TOIL accumulated by three officers could not be validated.*

b. *Personnel willing to donate vacation leave to their colleagues who experience medical emergencies were required to fill in a form, disclosing their personal details together with the number of donated hours. Yet no reference was made to the officer benefitting from such donation for reconciliation purposes.*

Management is to invariably maintain proper audit trail of each transaction from its inception.

[2] Could not be verified due to lack of feedback.

Developments: *Fully Implemented*

From the review of the records for February and September 2020, NAO obtained evidence that separate attendance sheets for TOIL and overtime hours worked were kept. These were certified by the respective Detail Officer and Assistant Director.

Furthermore, documentation supporting the instances of donated vacation leave during 2020, forwarded to this Office, confirmed that the details of the officer who benefitted from the respective donation were being disclosed.

Overtime

Permanent Secretary's Approval for the working of Overtime not traced

No formal approval for the working of overtime during the Valletta Summit and the Commonwealth Heads of Government Meeting, resulting in the aggregate payment of €43,860 in February 2016, was obtained.

In order to control the respective expenditure, disbursements for the payment of overtime are not to be effected unless the necessary approvals from the right level of authority are obtained prior to the commencement of the related work.

Developments: *Fully Implemented*

NAO reviewed a number of overtime requests for February and September 2020 and confirmed that the prescribed form was being endorsed by a DS official and subsequently, approval from the respective Permanent Secretary was obtained.

Meals

Bypassing Procurement Regulations by extending Contract Agreement repeatedly

A catering company was awarded a tender for 24 months, valued at €11,315,000, for the preparation, transportation and serving of breakfast, lunch and dinner to third country nationals accommodated in closed detention centres. Given that the value of the contract was not exhausted due to the decline in the number of immigrants, the original agreement was extended for further periods. However, this continued to be extended even beyond the contract value and seven years later such agreement was still in force. As at time of audit, the contract value increased by 25%, i.e. to a total of €14,143,750. From date of commencement of the contract up to end of 2016, payments to the contractor totalled €12,134,193.

Management is expected to issue a new call for tenders without undue delay, based upon the current needs, to regulate its position in line with the Public Procurement Regulations. A contingent clause can be included to cover situations of potential future influx of third country nationals.

Developments: *Insignificant Progress*

According to DS, although the tender was first published in October 2019, during the final stages of this publication, i.e. June 2021, it was still being evaluated. Management, claimed that the contract in force during 2020 was being handled by the Ministry, as it did not only cover DS, but also open centres, which fell under the remit of the Agency for the Welfare of Asylum Seekers (AWAS).

Meals ordered in excess of the Number of Residents

A reconciliation exercise carried out for audit purposes, between the number of registered residents in the open centres against the number of meals ordered during August 2016[3] revealed that the number of dinners delivered at the Marsa Open Centre exceeded the number of residents by an average of 11%.

Food provision is to be based on realistic figures reflecting, as far as possible, the actual number of residents during the respective period. The administration of the system is to be adequately monitored to avoid unnecessary costs being incurred on extra meals.

Developments: *Not Implemented*[4]

According to DS, a new system was adopted, which allowed DSOs to check that the number of meals ordered was more accurate in line with the respective head counts. The initial order would start in the compounds, whilst the actual order to the supplier would then be sent by the records section, after checking the number of migrants in each compound prior to ordering. It was claimed that this improved traceability of all meals and allowed the reconciliation of meals ordered, delivered and invoiced to be carried out.

However, details on the number of persons residing at the open centres and the number of meals ordered during a sampled two-month period, namely July and August 2020, were not provided in order to perform a reconciliation exercise for audit purposes.

Medical Services

Expired Bank Guarantee

No documentation was provided evidencing the renewal of the bank guarantee following its expiration, covering nursing services at the closed detention centre.

A bank guarantee mitigates the risks associated with the award of tenders in cases where the selected bidder does not deliver to the expected standards. Thus, Management is to ensure that such guarantees are renewed on time.

Developments: *Fully Implemented*

Performance guarantees were in place throughout 2020. The one submitted with the original contract was renewed until a new performance guarantee, dated 13 October 2020[5], was submitted covering the new contract signed in September 2020.

Marsa Open Centre

Monthly Tranches covering Operational Costs not substantiated

By means of a three-year agreement entered into by the Ministry on 3 September 2010, the Foundation for Shelter and Support to Migrants was entrusted with the management and operation of the Marsa Open Centre. In line with the cited agreement, in compensation for the services provided, the Ministry bound itself to pay

---

[3] *This was the month selected for the audit sample.*

[4] Could not be verified due to lack of feedback.

[5] Although the performance guarantee pertaining to the contract signed on 9 September 2020 was dated 13 October 2020, DS was still covered by the one issued in respect of the previous contract, which was only cancelled in November 2020.

the Foundation the maximum sum of €550,420 per annum. Email correspondence traced in the respective departmental file revealed the following shortcomings:

a. *Upon the expiration of the agreement on 15 September 2013, the then Ministry for Home Affairs and National Security (MHAS) had the possibility of renewing the contract with the Foundation for a further three-year period, but no such renewal was traced. However, monthly tranches of €45,868 from the line item under review continued to be forwarded to the latter at least up to two years later, i.e. August 2015.*

b. *With effect from 1 October 2015, the responsibility for the operation of the Marsa Open Centre was delegated to AWAS. The latter started to receive the monthly tranches, intended to compensate for the operational costs incurred that were previously forwarded to the Foundation referred to above. However, no formal agreement stipulating the agreed terms and conditions between the two parties was entered into.*

c. *Management indicated that these monthly tranches were to be substantiated by a copy of the invoices received by AWAS in respect of the related costs, but no such documentation was traced during the audit.*

Transparency in the management of public funds is an integral part of good governance and accountability. Thus, payments are to be invariably substantiated by adequate documentation, enabling full audit trail and independent verifications by third parties.

Developments: *Not Implemented*[6]

DS did not provide details on whether the Government subvention received for 2020 was used solely for its operations, or if other entities also benefitted from the funds. Management claimed that the Ministry holds full control over these funds.

Payments for Services on behalf of Third Parties

On the basis that the financial allocation provided by Central Government to AWAS was not considered to be sufficient to maintain its operations, DS funds were at times utilised to finance the aforementioned Agency's obligations.

Meals provided to inmates at the Corradino Correctional Facility were also paid by DS. For the financial year under review, the aggregate amount of €75,288 was incurred in this respect.

Expenditure is to be duly allocated and recorded by the entity incurring such costs, since the related amounts may distort the nature of reported expenditure.

Developments: *Not Implemented*

DS was not in a position to establish whether its funds were still being used to finance the operations of other entities during 2020, as it did not have any control over its budget.

[6] Could not be verified due to lack of feedback.

Inventory

Lack of Control on Inventory

DS did not maintain a fixed asset register, in line with the guidelines outlined in MF Circular No. 14/1999 – 'Government Accrual Accounting: Revised Inventory Control Regulations'. Only copies of room inventory lists were made available in respect of inventory records. However, these were neither accurate nor complete.

Proper control on Government-owned assets can only be exercised through a complete inventory database. All assets are to be identified and a fixed asset register compiled in line with the abovementioned circular. The responsibility of ascertaining that Head of Departments create, maintain and control an accurate and up-to-date fixed asset register rests with the Director Corporate Services.

Thus, DS is to compile detailed records of its inventory items and affixes an identification code to its fixed assets without further delay. Moreover, spot checks are to be carried out in order to ensure sound inventory management.

In addition, statutory information is to be forwarded (electronically) to NAO, in line with the established provisions.

Developments: *Not Implemented*

DS confirmed that no inventory database was compiled and identification codes were not affixed to fixed assets held by the entity, citing limited resources. Consequently, the required statutory information was also not being submitted to Treasury and NAO[7]. It was the intention of Management to have a fixed asset inventory in place in due course.

Other Matters

Anomalies in the Employment of Two Officers

An exercise, intended to tally the list of employees provided by DS with the number of personnel actually on the latter's payroll, revealed the following anomalies:

a. *Although a tradesman at the Armed Forces of Malta was transferred to DS payroll for a 10-month period up to 24 March 2016, he never reported to work at the entity but performed maintenance duties at MHAS. Moreover, attendance sheets showed that this officer only started recording his presence at MHAS as from 1 September 2015, with correspondence revealing that the Ministry was not aware of the exact location where the respective officer was reporting to work up to this latter date.*

b. *A DSO who was released to perform duties with a voluntary organisation as from November 2014 was still receiving a shift allowance per pay period besides his basic salary, at least up to December 2016. Moreover, an agreement outlining the employment terms and conditions upon release of this officer was not drawn up.*

[7] In its feedback provided in the Report Governance Action on the NAO's Annual Report 2016 Public Accounts issued by the Office of the Principal Permanent Secretary within the Office of the Prime Minister, DS had stated that inventory records were being updated in line with MF Circular No. 14/1999 and room sheets and labelling would follow this update. The entity had indicated that this would be implemented by October 2018.

Furthermore, a copy of the verified attendance records, together with a report on the progress achieved by the respective officer in relation to the project deliverables originally specified, was not traced at MHAS.

Senior officers are to instruct employees falling under their responsibility to duly register their presence in the attendance records.

Furthermore, with the aim of enhancing internal controls, it is to be ensured that transfers to voluntary organisations are supported by an agreement clearly indicating the extent of each party's rights, duties and obligations. MHAS is also to ascertain that it is provided with the related documentation as outlined in the agreement for public officers released to work with voluntary organisations.

Developments: *Not Implemented*[8]

The list of employees working with DS during 2020 was not made available for audit purposes, and thus NAO could not establish whether all officers were registering their presence in attendance records.

Furthermore, although DS indicated that one officer was working with a voluntary organisation during 2020, no agreement signed in this respect between the parties involved was made available. Therefore, NAO could not establish whether the terms and conditions of this relationship were adequately formalised.

Compliance Issue

Overtime Payments not supported by Attendance Sheets

Overtime payments were not accompanied by a certified extract of the attendance book as required by the PSMC. Such payments were only based on the request for overtime and the respective calculations.

Overtime pay is to be accompanied by a certified extract of the attendance book. Moreover, overtime returns are to be thoroughly checked against the supporting attendance sheets, by the officer in charge of salaries, before payments are processed.

Developments: *Significant Progress*

Requests and approvals for overtime hours were tallied with the attendance sheets, which were also signed and certified correct by the officer in charge. However, the respective signatures were not accompanied by a date.

Conclusion

NAO could not follow up on a significant number of issues due to lack of feedback provided by DS. It acknowledges that effort was made by Management to take on board certain recommendations put forward in the 2016 Annual Audit Report. However, there is still much room for improvement in a number of areas.

[8] Could not be verified due to lack of feedback.

2020-2021 (to date) Reports issued by NAO

NAO Annual Report and Financial Statements

May 2021	National Audit Office Annual Report and Financial Statements 2020

NAO Audit Reports

June 2020	Follow-up Reports by the National Audit Office 2020 Volume I
June 2020	Performance Audit: A Follow-up on the 2016 Analysis on OHSA's Operations - A Case Study on the Construction Industry
July 2020	An audit of matters relating to the concession awarded to Vitals Global Healthcare by Government Part 1 - A review of the tender process.
July 2020	An audit of matters relating to the concession awarded to Vitals Global Healthcare by Government Part 1 - Addendum
October 2020	Follow-up Reports by the National Audit Office 2020 Volume II
November 2020	Information Technology Audit: Planning Authority
November 2020	Performance Audit: An analysis of Malta Medicines Authority recruitment process
November 2020	Information Technology Audit: Malta Industrial Parks Ltd
November 2020	Report by the Auditor General on the Workings of Local Government for the year 2019
December 2020	Report by the Auditor General on the Public Accounts 2019
December 2020	A review of implementation of Sustainable Development Goal 1 - Malta's efforts at alleviating poverty
January 2021	Performance Audit: Is LESA suitably geared to perform its traffic enforcement function adequately?
February 2021	Performance Audit: The effectiveness of plastic waste management in Malta
April 2021	The contract awarded to the JCL and MHC Consortium by the St Vincent de Paul Residence for the management of four residential blocks through a negotiated procedure
May 2021	Performance Audit: Preliminary review: NAO's role in reviewing Government's measures relating to the COVID-19 pandemic