

Performance Audit:
Ensuring fair Non-Contributory Social Benefits and
safeguarding against related fraud

April 2023





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safeguarding against related fraud

Report by the Auditor General
April 2023

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List of Abbreviations

BCU	Benefits and Compliance Unit
CM	Caritas Malta
CBM	Central Bank of Malta
DSS	Department for Social Security
DO	Desk Officers
HA	Housing Authority
ISC	Income Support and Compliance
ISI	Income Support and Investigations
IMU	Information Management Unit
MSPCR	Ministry for Social Policy and Children’s Rights
NSO	National Statistics Office
NCSB	Non-Contributory Social Benefits
RDA	Representative of DSS’s assessors
SUP	Single Unmarried Parent
SA	Social Assistance
SOP	Standard Operating Procedures
SASB	System for Administration for Social Benefits
TCU	Tax Compliance Unit
UA	Unemployment Assistance

Executive Summary

Why this study?

According to information published by NSO, distribution of non-contributory social benefits (NCSB) in Malta amounted to Eur201m in 2021. These benefits are intended to assist individuals who, for one reason or another, are not engaged in employment and therefore have to resort to this safety net to secure an income.

In view of this substantial cost, and the clear social importance of this issue, NAO resolved to carry out a performance audit on this subject area to determine whether NCSBs are achieving their intended purpose, and whether their award is being adequately regulated and monitored.

What NAO Recommends

This Office recommends that a study is commissioned through which a national budget for a minimum decent life is determined. This should be based on realistic current prices and be subject to periodic reviews. This budget could then form the basis unto which the level of NCSBs is determined, thereby ascertaining that, whoever is in real need of such a safety net, secures sufficient income to meet this budget. Meanwhile, NAO also recommends that the eligibility thresholds of NCSBs are revised and duly tightened so that only individuals who can be considered as financially vulnerable would be able to tap into them.

An improved NCSB system would surely require an improved inspectorate to monitor for any irregularities and enforce this field accordingly. To this end, the BCU would benefit from expanding its inspectorate cohort and widen its operations to include a more pro-active element to “on the ground” inspections. Improvements should also be sought in the methodology with which work-related allegations are investigated.

The Department’s SOPs would also benefit from a review so that they cover BCU’s operations more comprehensively.

NAO’s Key Observations

This audit found that the delicate balancing act has not yet been achieved between ensuring that deserving individuals are provided with sufficient NCSB income to secure a minimum decent standard of living and ascertaining that the availability of these benefits is not extended to individuals who can either engage in gainful employment or who are in possession of significant wealth. Specifically, this Office found that a four-member family who have no choice but to live off NCSBs are not securing sufficient income to meet a minimum decent standard of living. On the other hand, while this Office acknowledges the Department’s assertion that NCSB beneficiaries have been on the decline over the past years, it is of the opinion that current eligibility thresholds leave room for individuals who cannot be considered as financially vulnerable to tap into these benefits.

The Benefits Compliance Unit (BCU) was reviewed in its capacity as the monitoring and enforcement body insofar as NCSBs are concerned. This review showed that, though its inspectors carry out their duties diligently during inspections in investigated beneficiaries’ places of residence, inspection efforts on work related allegations need to be strengthened. In addition, the three inspectors deployed at BCU are deemed too few and inefficiently deployed “on the ground”.

This review also found that investigations “on the ground” are largely reactive, mainly carried out if reports of alleged irregularities are received by third parties. While the Department does pro-actively launch periodic desk-based initiatives to monitor targeted NCSBs, these are not supported by “on the ground” inspections unless a red flag is raised. Similarly, BCU does not have a system of periodic sampling for pro-active inspections. This Office however contends that desk-based initiatives, while commendable, can never give a comprehensive picture to the inspectorate unless these are substantiated with “on the ground” inspections, with the latter being the better suited tool to identify indications that the investigated beneficiary would be living beyond one’s means or would be living in different circumstances than what is officially declared.

While this Office acknowledges the agreements that BCU has with local banks, which provide the former with monthly information on the beneficiaries’ financial situation (in view of the capital means tests applicable on the eligibility of NCSBs), it questions why similar arrangements are not in place with other stakeholders, particularly Transport Malta and the Tax Compliance Unit. As the situation stands, the Department needs to actively ask for information from such stakeholders rather than such information being periodically received.

Finally, this review also found that although the Department does have SOPs in place, those relating to BCU operations need to be more comprehensively drafted, particularly with respect to the manner in which inspectors are expected to carry out inspections “on the ground”.

Chapter 1 | Introduction

This introductory chapter presents the National Audit Office’s rationale for embarking on this study and contextualises the audited area. It then proceeds to lay out the study’s overall scope, objectives, adopted methodology and limitations. A synopsis of the report’s chapters follows.

1.1. Why this study?

- 1.1.1. According to information published by the National Statistics Office (NSO) in April 2022, the distribution of Non-Contributory Social Benefits (NCSB) in Malta amounted to €201 million in 2021. These benefits are intended to assist individuals who, for one reason or another, are not engaged in employment and therefore resort to this safety net to secure an income. Appendix A lays out in detail these benefits, the number of beneficiaries registered for each, as well as the associated costs.
- 1.1.2. The award of these benefits is subject to a set of eligibility criteria which need to be adhered to by the beneficiary for the system to fulfil its intended purpose. However, abuse and the risk of fraud in such a circumstance is always a possibility, with safeguards against this being a necessity. In view of this and given the substantial amount that NCSBs absorb from public funds, NAO resolved to carry out a performance assessment in this respect.

1.2. Background Information

- 1.2.1. The Department for Social Security (DSS) falls under the Ministry for Social Policy and Children’s Rights (MSPCR). This Department is, amongst others, entrusted with the responsibility of receiving and processing applications for NCSBs and award said benefits accordingly if the application is successful. Once the benefit is awarded, monitoring is required to ensure that the respective beneficiary stays in line with established eligibility criteria. This task is assigned to the Benefits and Compliance Unit (BCU), which Unit operates within the DSS under the Income, Support and Compliance Division. Specifically, the BCU is entrusted to perform investigations on reported allegations of social benefit fraud as well as to take its own initiative to identify such irregularities. It is vested with the powers to carry out its functions through the Social Security Act (Cap. 318) of the Laws of Malta.
- 1.2.2. NCSBs are intended to assist individuals within society who can be considered as vulnerable for various reasons. While a portion of these benefits are awarded for circumstances which are of a more longstanding nature (and therefore are less likely to be abused of), others are intended to assist an individual who finds him/herself in circumstances which could change rather easily, thereby exposing them to a higher risk of fraud. To this end, these latter NCSBs are more subjected to BCU monitoring while the former type is generally investigated on a secondary basis during

a broader investigation. Table 1 and 2 below list these two types of NCSBs and provide a brief description of each. Furthermore, Appendix B lists all NCSBs and provides further detail on each, particularly on the eligibility requirements for an individual to avail of each benefit.

Table 1: NCSBs actively subjected to BCU’s monitoring

Non-contributory Benefit	Description
Age Pension	An Age Pension may be awarded to a person who reaches 60 years of age; does not have enough paid or credited Social Security Contributions to be eligible for a Contributory Retirement Pension and satisfies the Means Test.
Carer’s Allowance	The Carer’s Allowance may be awarded to a single, married, in civil union, or cohabiting person who is over eighteen (18) years of age and is taking care of a relative, with low dependency, on a full-time basis living within the same household.
Increased Carers’ Allowance	The Increased Carer’s Allowance may be awarded to a single, married, in civil union, or cohabiting person who is over eighteen (18) years of age and is taking care of a relative, with high dependency, living within the same household on a full-time basis.
Foster Child Allowance	Awarded to authorised foster carers providing a foster care service to a child. Moreover, this allowance is paid until a child reaches twenty-one (21) years of age.
In-Work Benefit	The In-Work Benefit is aimed to assist couples and single parents who are in a gainful occupation and have children under the age of 23 years, who are still dependent and living with them. This is not applicable to those who are presently in receipt of Tapering of Benefits.
Milk Grant	A Milk Grant is awarded to a mother who has the care and custody of a child who is less than 40 weeks of age and requires weaning or complementary feeding else to a mother who cannot breastfeed for medical reasons.
Sickness Assistance	Sickness Assistance is awarded to a person who proves to the satisfaction of the Director of Social Security that the person responsible for household or any family member living within the household is suffering from a listed disease and that could only be cured or alleviated by a special diet or regiment, which incurs an additional expenditure.
Social Assistance	A Social Assistance may be awarded to a person who is responsible for the household who may: <ul style="list-style-type: none"> - be incapable of working due to medical reasons; or - cannot engage in employment due to having care and custody of own children and is legally or de facto separated.
Social Assistance for Single Parents	The Single Unmarried Parent Allowance may be awarded to a single unmarried parent who is not engaged in a gainful occupation.

Table 1: NCSBs actively subjected to BCU’s monitoring cont.

Non-contributory Benefit	Description
Subsidiary Unemployment Assistance	Subsidiary Unemployment Assistance may be awarded to: <ul style="list-style-type: none"> - A person having a Subsidiary Protection Status. - A person who is unemployed and satisfies the means test as per Social Security Act (Cap. 318.). - A single person or Person Responsible for a Household who has other family members living within the same household.
Supplementary Allowance	A Supplementary Allowance may be awarded to an employed, single person with low income, who is currently not in receipt of a Children’s Allowance and also not responsible for the family that he/she lives with. This allowance is intended to help a person bridge his/her income requirements.
Unemployment Assistance	Unemployment Assistance may be awarded to a person responsible for household who is registering under Part 1 of the Unemployment Register.
Unemployment Assistance Taper	Social Assistance beneficiaries who find employment can opt for the Tapering of Benefit scheme if they earn at least the National Minimum Wage or more and if they have been in receipt of Social Assistance or Unemployment Assistance or Special Unemployment Benefit for at least 1 year in the last 3 years.

Table 2: NCSBs awarded for more longstanding circumstances

Non-contributory Benefit	Description
Assistance for Visually Impaired	The Assistance for the Visually Impaired may be awarded to a person who is 14 years of age and over and who is completely or partially visually impaired.
Carer’s Grant	This Grant is awarded to a parent who is not in employment so as to take care of a child with a disability who is over sixteen (16) years of age and who is in receipt of an Increased Severe Disability Assistance.
Children’s Allowance	Children’s Allowance is awarded to married couples, civil union couples, cohabiting couples, single parents, separated parents or returned migrants, having the care and custody of their children under sixteen (16) years of age and whose total annual income of relevant year from employment / social security is less than twenty-five thousand and nine-hundred and twenty-four (€25,924).
Children’s Allowance Supplement	Is a supplementary payment awarded to all recipients of Children’s Allowance. Children’s Allowance beneficiaries who exceed the means testing threshold of (€25,924), will be awarded one-hundred and forty euro (€140) per child per year. Those not exceeding the means testing threshold will be awarded one-hundred and sixty euro (€160) per child per year.

Table 2: NCSBs awarded for more longstanding circumstances *cont.*

Non-contributory Benefit	Description
Disability Assistance	A Disability Assistance may be awarded to a person with a disability who is 16 years of age and over suffering from either, a total paralysis or a permanent total severe malfunction, or else a permanent total disability through the amputation of one of the upper or lower limb. The Disability Assistance is also awarded to a person who has a hearing and speech impairment.
Severely Disability Assistance	A Severe Disability Assistance may be awarded to a person with a physical disability who is 16 years of age and over that can be engaged in a gainful occupation.
Increased Severe Disability Assistance	An Increased Severe Disability Assistance may be awarded to a person who is 16 years of age and over and is absolutely unable to work.
Disability Child Allowance	A Disabled Child Allowance may be granted to children who are certified to be suffering from a physical and/or mental disability. This allowance is paid in addition to the Children's Allowance and is valid until children turn 16 years or 14 years of age in case of visual impairment.
Drug Addicts Allowance	The Drug Addict Assistance may be awarded to a person who is following a drug or alcohol rehabilitation therapeutic program.
Leprosy Assistance	The Leprosy Assistance is awarded to a person who suffers from Leprosy or Hansen's Disease, or who has a family member who is living within the household, and who suffers from one of these diseases.
Tuberculosis Assistance	The Tuberculosis Assistance is awarded to a claimant who suffers from Tuberculosis or Koch's Disease, or to a family member who is living within the household and who suffers from one of these diseases.
Non-Contributory Bonus	A beneficiary who is in receipt of Social Assistance, Non-Contributory or Contributory Pension, is entitled for the payment of Statutory Bonuses.

1.3. Audit Objectives and Scope

1.3.1. This audit is aimed at addressing three main objectives:

- a. To determine whether NCSBs are sufficient to offer beneficiaries (who are solely dependent on them) a minimum decent standard of living.
- b. To determine whether eligibility criteria for NCSBs are reasonable.
- c. To assess whether the DSS and BCU are carrying out adequate checks to identify potential fraud throughout the process.

1.3.2. The objectives listed above are subject to the determined audit scope. Specifically, this exercise is scoped to cover the NCSBs listed in Table 1 above, thereby omitting checks carried out on NCSBs listed in Table 2. Unless otherwise stated, documentation reviewed, and findings reported upon are as at February 2023.

- 1.3.3. Being a performance review, this audit opted not to follow financial compliance considerations. This means that the study examined DSS and BCU's operations up till the identification of potential abuse, while omitting the subsequent process of collecting sums due to the Department by defaulting beneficiaries.
- 1.3.4. This audit is scoped to deal with potential fraud and abuse, thereby omitting possible errors of overpayments from the Department's side.
- 1.3.5. It is also important to note that this study is not a follow up of NAO's 2014 publication titled "Addressing Social Benefit Fraud" as significant time had elapsed from this publication, and also as the scope and objectives of this audit are not the same as the ones of the 2014 report.

1.4. Methodology

- 1.4.1. After acquiring an overview of the Unit's operations through preliminary research, the audit team held an initial meeting with BCU's management for further insight. Through this process, the audit team gathered sufficient information to set a main audit question and could scope its approach. In line with performance audit methodology, an Issue Analysis and Audit Design Matrix were compiled, through which several sub-questions, criteria and intended methodologies emerged. These provided the audit team with a clear pathway towards the conduct of this audit.
- 1.4.2. A series of semi structured interviews were held to address the different aspects of the exercise. These were corroborated by documentary review and by accompanying BCU's inspectors during "on the ground" inspections.
- 1.4.3. Once all required information and observations were secured, the audit team carried out pertinent analysis accordingly and proceeded to produce the first draft of the report. This was then presented to the auditee for its final feedback before publication.
- 1.4.4. NAO conducted this performance audit in line with the Standard for Performance Auditing, ISSAI 3000.

1.5. Report Structure

- 1.5.1. **Chapter 1** – This introductory chapter presents the NAO's rationale for embarking on this study and contextualises the audited area. It then proceeds to lay out the study's overall scope, objectives, adopted methodology and limitations. A synopsis of the report's chapters follows.
- 1.5.2. **Chapter 2** – This Chapter presents considerations on whether non-contributory benefits are sufficient for a four-member family (consisting of two adults and two children) to secure a decent minimum standard of living. It further presents NAO's observation on the current eligibility thresholds for an individual to avail of non-contributory benefits.

1.5.3. **Chapter 3** – This Chapter lays out the procedures by which applications for non-contributory benefits are processed and reports on potential fraud managed. It further presents NAO’s considerations on the processes by which checks on non-contributory benefits are carried out, be it application stage and during the duration in which beneficiaries avail themselves of these benefits.

1.5.4. **Concluding Remark** – This report closes off with a concluding remark which sums up NAO’s overall opinion on the subject matter.

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Chapter 1

Chapter 2

Chapter 3

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Remark

Appendices

Chapter 2 | An examination on the non-contributory benefit system

This Chapter presents considerations on whether non-contributory benefits are sufficient for a four-member family (consisting of two adults and two children) to secure a decent minimum standard of living. It further presents NAO’s observation on the current eligibility thresholds for an individual to avail of non-contributory benefits.

2.1. Four-member households who have no option but to depend solely on income from social benefits do not meet a minimum annual budget for a family to secure a decent minimum standard of living

2.1.1. As social benefits are meant as a safety net primarily intended to assist the most vulnerable segments of society, NAO sought to determine whether these provide sufficient income so that beneficiaries who are in genuine need of them can secure what is considered a decent minimum standard of living. To reach such a conclusion, this Office resolved to compare a minimum essential budget for a household against the total income received through NCSBs and determine whether the latter is sufficient to support the former.

Presenting a minimum annual budget for a family to secure a decent minimum standard of living

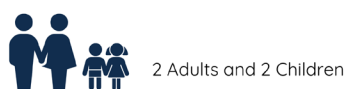
2.1.2. Through its desk research, the audit team reviewed a report published by Caritas Malta (CM) in 2020, titled “A minimum essential budget for a decent living 2020 – A research study focusing on three low-income household categories”, which established baseline annual budgets for each of the three targeted categories. The audit team conducted a cursory review of the results as presented in this CM publication and found them to be judicious. As a result, NAO resolved to use the compiled minimum budgets as presented in CM’s publication for comparative determinations, and adopt CM’s term ‘decent life’ to refer to this budget. Amongst other information gathered through the audit team’s research, another CM publication titled “MINIMEBDL 2022 – Focusing on three low-income household categories”, as well as inflation rates as published by the National Statistics Office and the European Commission, were also referred to as supplementation of information cited from the CM 2020 report. Consequently, information used by the audit team to build its findings and observations in this chapter are extracted from these different sources according to their contemporaneity, thereby presenting, as much as possible, an updated scenario. Appendix C presents the related calculations in detail and highlights individual sources of data.

2.1.3. It is also important to note that, for this study’s scoping purposes and for compatibility with other data sources made use of by the audit team (which will be referred to in subsequent parts of this chapter), this report will only make reference to the budget as established in the CM publication

which is associated with a four-member family (that is, two adults and two children living in the same household).

2.1.4. Figure 1 and subsequent breakdown below present a summarised explanation of the items which are incorporated in the budget for the scoped category. It is important to note that this consists of items which CM considers as the ‘minimum’ requirements for a two adult and two children family to lead a decent life. The presented costs are duly adjusted to reflect the situation in 2023.

Figure 1: Minimum Annual Budget for a two adult and two children family to secure a decent life



Minimum annual budget for a family to live a decent life



- **Food** – based on a 7-day, home prepared, food menu which includes 3 daily meals and 2 in between snacks. Cost of food factored in ‘Fund for European Aid to the most Deprived and State Funded Food Distribution Schemes’.
- **Clothing** – includes both summer and winter clothing as well as seven types of footwear (with an average lifespan of two years) for each person in the household.
- **Personal care** – includes personal hygiene and grooming products, articles and equipment as well as a monthly visit at a salon.
- **Health** – considers medicines and medical care products which are not available through any scheme. Two yearly visits at a GP were also included for school age children and it was assumed that no family member has any serious or chronic health issue and/or disability.
- **Household goods and maintenance** – that is, the cost of furniture and furnishings, household textiles, major and small electric/non-electric household appliances, as well as material and services for maintenance and repair¹.

¹ CM report states that this was based on the average annual consumer expenditure of the lowest income quartile as per the Household Budgetary Survey 2015 data.

- **Household laundry and care** – assumes that basic home care and cleaning is done on a weekly basis and considers a minimum of six loads of laundry per week. Cost includes laundry and household detergents, cleaning materials and other non-durable goods for dishwashing and for cleaning floors and other surfaces.
- **Household services** – includes water and electricity, LPG for cooking and space heating, as well as communication services (that is, TV, landline phone, internet and smartphone services).
- **Education, Culture and Gifts** – considers costs associated with stationery, printing, school bag and school outings. It is assumed that children qualify for assistance under Scheme 9 of the National School Support Services and would therefore qualify to benefit from either a grant for basic stationery at the start of the scholastic year or for a school uniform, or free daily packed lunch². A small allowance of five euro per month per individual is allocated to attend leisure activities that bear a cost. An allocation of four gifts per household per year at a cost of €15 each was also considered.
- **Transport** – in CM’s minimum budget, the use of personal car is excluded given current national move towards transportation sustainability. It was assumed that children will use the provided free state school transport. Cost for a *Tal-Linja* card was included in CM’s study for each member of the family, assuming they purchase the monthly pass leading to an annual cost of €980. However, following the introduction of the Malta Public Transport free travel scheme in October 2022, NAO amended this cost to read naught.
- **Housing** – in this minimum budget it is assumed that these low-income households reside in a two-bedroom dwelling, either through social housing or in a privately-rented dwelling but receiving Housing Authority (HA) subsidy.

2.1.5. While CM’s publication cites the above as the minimum budget which is required for a four-member family to secure a decent life, it provides further consideration for what it refers to as an ‘augmented’ minimum annual expenditure for a two adult and two children household. Figure 2 and subsequent breakdown present the three additional items which comprise of this augmented scenario and amends the total budget accordingly.

² In 2022 this scheme was extended so that children could benefit from more than one of the mentioned assistance

Figure 2: Augmented Minimum Annual Budget for a two adult and two children family to secure a decent life



2 Adults and 2 Children

Augmented Basket



- Eating out** – this considers a family lunch or dinner every month at a casual dining restaurant on a one-dish per person basis, or a beverage and a sweet/savoury item per person at a café.
- Running a private car** – includes basic related expenses such as fuel, annual road license, third-party insurance premium, VRT every 2 years and basic maintenance service. This item assumes that household has no fines to pay, benefits from full no claim bonus and that no major repairs to the vehicle are necessary. It is important to note that this augmented item is intended to complement the public transportation item cited in the minimum budget and not replace it entirely. This is so as, with a single private vehicle, it is deemed that public transport would still be required so that all transportation needs of a family of four are fulfilled.
- Commercial rent** – An average monthly rent of €800 per month for a 2-bedroom apartment is taken for this calculation leading to an annual cost of €9,600. It is important to note that this item replaces the ‘Housing’ item in the previous calculation, as these two lead to the same outcome (that is, securing a home), albeit one more costly than the other.

Presenting the total income of a family dependent solely on social benefits

2.1.6. As this Office sought to determine whether NCSBs, by themselves, are sufficient to support a family of four in securing a minimum decent standard of living as established by CM’s 2020 publication, it focused on the model which entails both adults not being in employment and being therefore fully reliant on NCSB income. Referring to the CM study, the audit team compiled Table 3 below which presents this total income (as at 2023) together with its components.

Table 3: Total annual disposable income of a family living off social benefits

	Family receiving Social/Unemployment Assistance and other Allowances/ Benefits 2 Adults and 2 Children
	€
Social/Unemployment Assistance	6,296
Social Assistance for each member of household	1,272
Special Bonus	162
6 monthly Bonus	270
Children Allowance	2,504
Supplementary Children Allowance	320
Energy Benefit	454
Additional COLA	1,200
Total Disposable Income	12,478

Comparing income from NCSB with minimum budget

2.1.7. The above figures make it evident that a family comprised of two adults and two children living solely off NCSBs do not have sufficient income to cover at least what is considered as the minimum budget for such a family model to secure a minimum decent standard of living, more so the augmented calculation. This Office is however of the opinion that people who are in genuine need to live off solely on NCSBs would generally be those whose health is compromised to such an extent that it precludes them from engaging in gainful employment. In view of this, further to the income from NCSBs as presented in Table 3 above, one would need to consider an additional €1,551 in Sickness Allowance. With these factors considered, this would still result in such a family model incurring an annual deficit of €1,155. It must however be noted that this deficit does not factor-in additional costs (medical, logistical and social amongst others) which would generally need to be borne by a family who has a severely sick member. The added associated costs proved incalculable to NAO, but their occurrence in such a scenario is non-contestable. On the other hand, this deficit does not account for any other benefits 'in kind' which the individual could be receiving.

2.1.8. It must also be understood that this calculation is considering the absolute minimum budget which a family needs to secure a minimum decent standard of living, which application could be argued against in the case of a severely sick individual. If the cost of rent is omitted from the augmented minimum budget (as presented in Figure 2), thereby assuming that a severely sick individual will need to resort to housing options, and the cost of eating out (€539) and private car (€1,511) had to be taken into account, this deficit would raise to €3,205 (sickness allowance included).

NAO Observation

2.1.9. Based on figures as published in the CM report, a four-member family living solely on NCSBs does not secure sufficient income to cover costs and expenses which are considered as the minimum for such a household to secure a minimum decent standard of living. NAO considers this fact as indicative that the current NCSB system may not be fully fulfilling its primary function towards those who are in genuine need of it.

2.2. Eligibility criteria for social benefits need to be revisited

2.2.1. In order for an individual to be eligible for non-contributory social benefits, a set of criteria and thresholds need to be satisfied, be it at application stage as well as throughout the period during which such benefits are awarded. While Appendix B presents these criteria and thresholds for each benefit in some detail, the main thresholds will be discussed in this part of the report.

Means Testing Thresholds and Exclusions

2.2.2. According to the Social Security Act, the award of non-contributory benefits, among other criteria, is subject to a means test. This means test sets capital value thresholds which cannot be exceeded for an individual to remain eligible to avail of such benefits. These capital value thresholds are set at €14,000 in the case of a household headed by a single adult (be it a single individual or a single parent), and €23,300 in the case that the head of household has a spouse.

2.2.3. In order to determine whether the individual exceeds this capital means test or otherwise, the Social Security Act states that the total value of any cash at bank or in hand, any trust funds as well as the value of any immovable property should be aggregated and compared to the set threshold. However, the Social Security Act further cites that this calculation should exclude the value of the individual's house of residence (of any value) and the value of any furniture, jewellery and other personal effects. As will be discussed in further detail in Chapter 3 of this report, the BCU has additionally determined that, apart from these exceptions cited by local law, one summer residence (irrespective of its value) owned by the prospective or existing beneficiary is also to

be excluded from this capital means test. Furthermore, one car (of any value) per license holder within the household (that is, beneficiary and spouse) should also be excluded³. The audit team was further informed that, in the event that a beneficiary (or his/her spouse) acquires a second car, the value of the new car will be excluded for this means test, while the value of the older car will be included. Table 4 below lists these exclusions for easier reference.

Table 4: Exclusions from capital means test for the eligibility of non-contributory social benefits

House of Residence (irrespective of value)
Summer Residence (irrespective of value)
One car (irrespective of value) per license holder (that is, beneficiary and spouse). In the event of the purchase of a second car by any one license holder, the value of the new car will be exempted while the value of the older car will be included
Cash at bank or in hand, any trust funds and value of any additional properties amounting to €14,000 or €23,300 for single and married individuals respectively
Furniture, jewellery and any other personal effects (irrespective of value)

2.2.4. The audit team weighed these exceptions against considerations made in the CM study as well as information obtained from the Central Bank of Malta (CBM) regarding savings held by low-income earners. While acknowledging the Department’s stated claim that, through various Government initiatives, the number of NCSB beneficiaries has been on the decrease over the years, this comparison led NAO to conclude that the set criteria for the capital means test are far from the presumed situation in which the most financially vulnerable segments of society (for whom social benefits are intended) find themselves in and are therefore open to individuals who do not strictly require them.

2.2.5. Specifically, NAO makes reference to CM’s study and notes that, in determining a budget for financially vulnerable individuals, this study did not at any point consider the ownership of a family home, but rather took into account social housing options or commercial rent. In view of this, while NAO does not contend that owning one’s own home should not preclude someone from availing of NCSBs if he/she truly needs them, it feels that there is scope to consider revisiting the uncapped value in the exclusion of a family home from the applied means test. Specifically, as the threshold currently stands, it allows individuals who own a high value residential home to avail of NCSBs when this capital asset could yield income to enable self-sufficiency.

2.2.6. More critically, this Office feels that the reasoning behind excluding ownership of a summer residence from the capital means test needs to be revisited, perceiving ownership of such an asset as a significant luxury which, if liquidated or rented out, would surely position its owner above the established thresholds and financial vulnerability altogether.

³ It is important to note that these assets are only exempted from the capital means test if they would be already in the beneficiary’s possession at application stage. Should such assets be procured while individual is availing of NCSBs, these are included in the means test, except in the case of a car in the event in which the beneficiary does not already meet the one car per license holder threshold.

2.2.7. Similarly, the ownership of one car per household consisting of two adults and two children is considered as part of an ‘augmented’ minimum budget in CM’s study. To this end, NAO notes that the exclusion of two cars per household from the means test (one for the beneficiary and another for the spouse) is a somewhat lax interpretation of transportation needs for anyone requiring NCSBs. This consideration however becomes more pronounced by the fact that the value of such vehicles is not taken into account, which means that these could be high-end vehicles and still be excluded from the capital means test. Furthermore, NAO questions the reasoning behind BCU’s stance of allowing the ownership of more than one car per household member, and its decision to exclude the value of the newer car (which presumably would be higher) while factoring in the means test the value of the older vehicle (presumably of a lesser value).

2.2.8. This Office also sought to assess whether the €14,000 and €23,300 thresholds as a capital means test, for single and married beneficiaries respectively, are set at a reasonable level or otherwise. To gauge this, meetings were held with representatives from CBM regarding the latter’s 2019 publication titled “Household Finance and Consumption Survey in Malta: Main results from the Third Wave”. Through the review of this publication and the forwarding of raw data by CBM, the audit team could conclude that the savings threshold for single persons to be eligible to NCSBs does compare with the median registered savings of single persons which falls within the first income quintile (that is, with a household income ranging from €0 to €13,999) of the CBM study. However, NAO noted that the threshold set for married individuals is considerably higher than the median savings of such individuals in the first quintile, putting the threshold’s reasonability in question. This consideration is further accentuated by the fact that married individuals in the second quintile of CBM’s study (that is, those registering earnings between €14,000 and €25,149- an income range which corresponds to the national average income rather than the minimum wage) also declared median savings which are considerably less than the applicable non-contributory benefit eligibility threshold, putting its reasonableness in further doubt. Table 5 below presents this information in more detail.

Table 5: Non-contributory social benefits thresholds against registered savings

		Sample Population	Median Household Income	Median Savings	DSS Threshold
First Quintile (Income Range: €0 - €13,999)	Single	15	€8,701	€16,396	€14,000
	Married	46	€11,231	€8,751	€23,300
	Married - 4 member family	11	€12,951	€10,272	€23,300
Second Quintile (Income Range: €14,000 - €25,149)	Single	14	€17,732	€24,703	€14,000
	Married	82	€20,925	€13,220	€23,300
	Married - 4 member family	20	€21,143	€13,126	€23,300

2.2.9. The above considerations were further substantiated during meetings held by the audit team with BCU's inspectors. Specifically, these officers highlighted that, during inspections in residences, there would be occasions in which they would internally question how an investigated beneficiary would be able to furnish his/her home with certain luxuries or how were they able to afford high end cars, given that they would be availing of NCSBs as their means of income. However, BCU inspectors further stated that, given that such assets are not subject to value capping, they would not be in a position to act on such observations.

Single Unmarried Parents are not required to register for work

2.2.10. During meetings with BCU, the audit team was informed that beneficiaries availing of the single unmarried parent (SUP) NCSB (which in 2021 was availed of by 2,597 individuals at a cost of €11.5 million- Appendix A refers), are not required to register for work to be eligible for this social benefit. The audit team however notes that the justification of this NCSB is challenged by the free childcare scheme which was introduced in 2014, which provides the possibility to all parents (single or otherwise), to entrust their young children in a safe place for the duration of the parent/s' working hours. In view of this, NAO discussed this issue with BCU management, with the latter acknowledging merit in this Office's argument.

NAO Observations

2.2.11. While this Office acknowledges the Department's stated claim that NCSB beneficiaries have been decreasing over the years, it still feels that the eligibility thresholds for NCSBs create a situation in which individuals who cannot be considered as vulnerable (as they would be in possession of considerable wealth) are still eligible to avail of such benefits. While NAO acknowledges the need for a temporary safety net for anybody who falls on hard times, it questions the long-term nature of such benefits to individuals who possess high value assets. Apart from the apparent unfairness of such a situation, this Office also considers the fact that this can create disgruntlement among the general population towards these individuals. This brings about risks of creating a negative sentiment over those individuals who are in real need of NCSB assistance. In such an event, rather than assisting vulnerable individuals to enjoy a dignified social life, this Office perceives the possibility that this may potentially serve to create otherwise avoidable challenges in this respect.

2.2.12. This Office also draws attention to the fact that not all exemptions from eligibility thresholds are specifically cited in the Social Security Act, but rather some are established by the BCU itself over and above those permitted by the former. In NAO's view, this practice is unwarranted as it further opens up the eligibility thresholds with the consequence of potentially including additional non-vulnerable individuals into the NCSB system.

2.2.13. Apart from the eligibility thresholds, this Office is also concerned with applicable criteria for NCSBs, particularly with the fact that beneficiaries availing of SUP are not required to register for work. In NAO's opinion, the free childcare scheme puts the continued validity of this NCSB

into question as this scheme allows all able-bodied individuals to seek employment while having comfort that their children will be in a safe place for the duration of their working hours. Apart from the perceived unfairness that this criterion for the SUP benefit creates with individuals who are in employment, NAO contends that this NCSB is also counterproductive to the beneficiaries themselves. Specifically, this Office perceives the difficulty that a beneficiary will encounter to find employment when his/her children are of an age that no longer makes him/her eligible for this benefit. Having stayed out of employment for such a long time will undoubtedly render an individual much less competitive in the labour market. NAO argues that such a situation would likely lead to the individual becoming fully dependent on the social benefits system in perpetuity.

2.3. Recommendations

- 2.3.1. NAO is of the opinion that a review of the NCSB system is warranted as individuals who are in real need of them are currently not able to cover a minimum budget to secure a minimum decent standard of living. In this Office's view, an updated exercise similar to the CM publication needs to be compiled and a national minimum budget should be set, based on realistic and current prices and subjected to periodic reviews according to annual cost of living adjustments. The NCSB system should then be adjusted to ascertain that beneficiaries relying solely on these benefits secure sufficient income to meet this minimum budget.
- 2.3.2. On the other hand, this Office strongly suggests that the eligibility thresholds that need to be satisfied for an individual to avail of NCSBs are revised and duly tightened so that they better reflect the presumed situation in which financially vulnerable individuals would find themselves in, rather than potentially allowing parties with significant wealth to tap into them. NAO suggests that capping on essential assets should be introduced and set in a manner by which prospective or existing beneficiaries can secure a minimum decent standard of living (particularly in terms of a place of residence), but does not allow eligibility to individuals who, due to the high value of their assets, cannot be realistically considered as financially vulnerable. Furthermore, this Office feels that Government should reconsider whether ownership of non-essential assets of a significantly high value (with particular reference being made to summer residences and high-end vehicles) should be eligible for individuals availing themselves of NCSBs. This is being suggested so that, not only is perceived unfairness avoided, but also to safeguard against potential abuse, particularly in cases in which beneficiaries would be working irregularly (and therefore potentially securing sufficient income to acquire high end assets) while fraudulently availing of social benefits.
- 2.3.3. NAO further suggests that the BCU does not apply further exclusions from eligibility thresholds beyond those which are specifically cited in local legislation. Should the Department feel that related terms in local law need revisiting, this Office recommends that it exerts the necessary pressure accordingly, through appropriate channels, so that any applicable exclusions (designed in a manner that take the immediately preceding recommendation into account) are given appropriate legal backing.

2.3.4. It is also this Office's opinion that the SUP NCSB should be reconsidered in view of the introduction of the free childcare scheme. Given that this scheme offers the possibility to all able-bodied individuals to work with the peace of mind that their children are in a safe place for the duration of their working hours, NAO feels that such a benefit should only be awarded in cases in which a single parent is actively seeking employment or engaging in furthering one's education. It is NAO's view that, through this recommendation, most of the significant associated cost of this NCSB (€11.5 million in 2021) could be reinvested in the free childcare scheme itself, thereby further enhancing its potential.

Chapter 3 | An assessment on the award, monitoring and enforcement of non-contributory social benefits

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This Chapter lays out the procedures by which applications for non-contributory benefits are processed and reports on potential fraud managed. It further presents NAO’s considerations on the processes by which checks on non-contributory benefits are carried out, be it application stage and during the duration in which beneficiaries avail themselves of these benefits.

Chapter 1

3.1. Laying out the process

3.1.1. The Department for Social Security (DSS) is responsible to award benefits as financial protection to individuals who are in need. Prospective beneficiaries can apply for NCSBs through the DSS, with the latter processing these applications and carrying out applicable checks as per the process presented in Figure 3.

Chapter 2

3.1.2. While an individual may be deemed eligible for NCSBs at application stage, situations may arise which would present the same individual as no longer eligible while being awarded these benefits. To this end, a monitoring and enforcement function of these benefits is required, and this is the assigned responsibility of the Benefits Compliance Unit (BCU). Figure 4 presents the processes by which BCU carries out this remit.

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Figure 3: Application and approval process for non-contributory social benefits

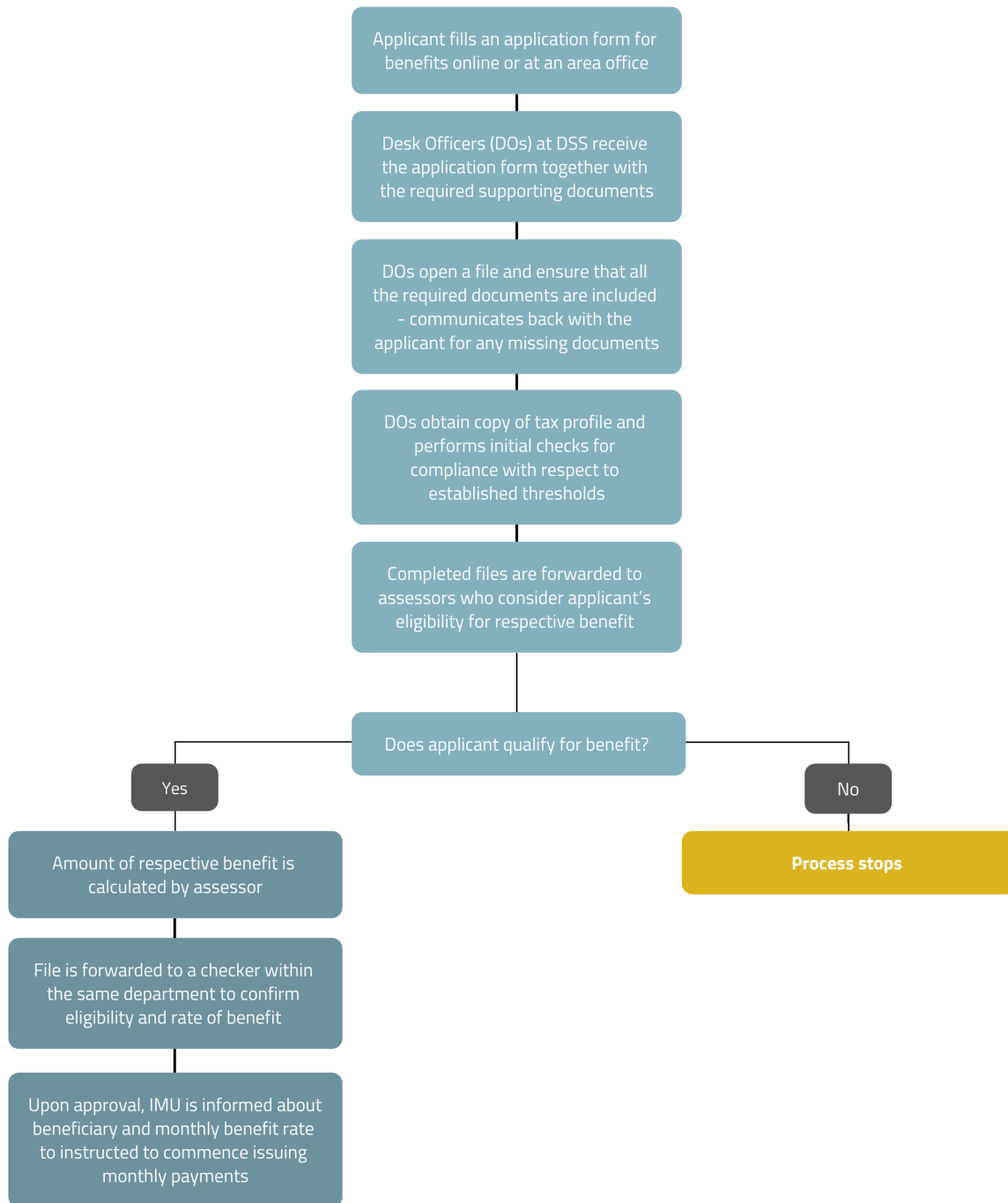
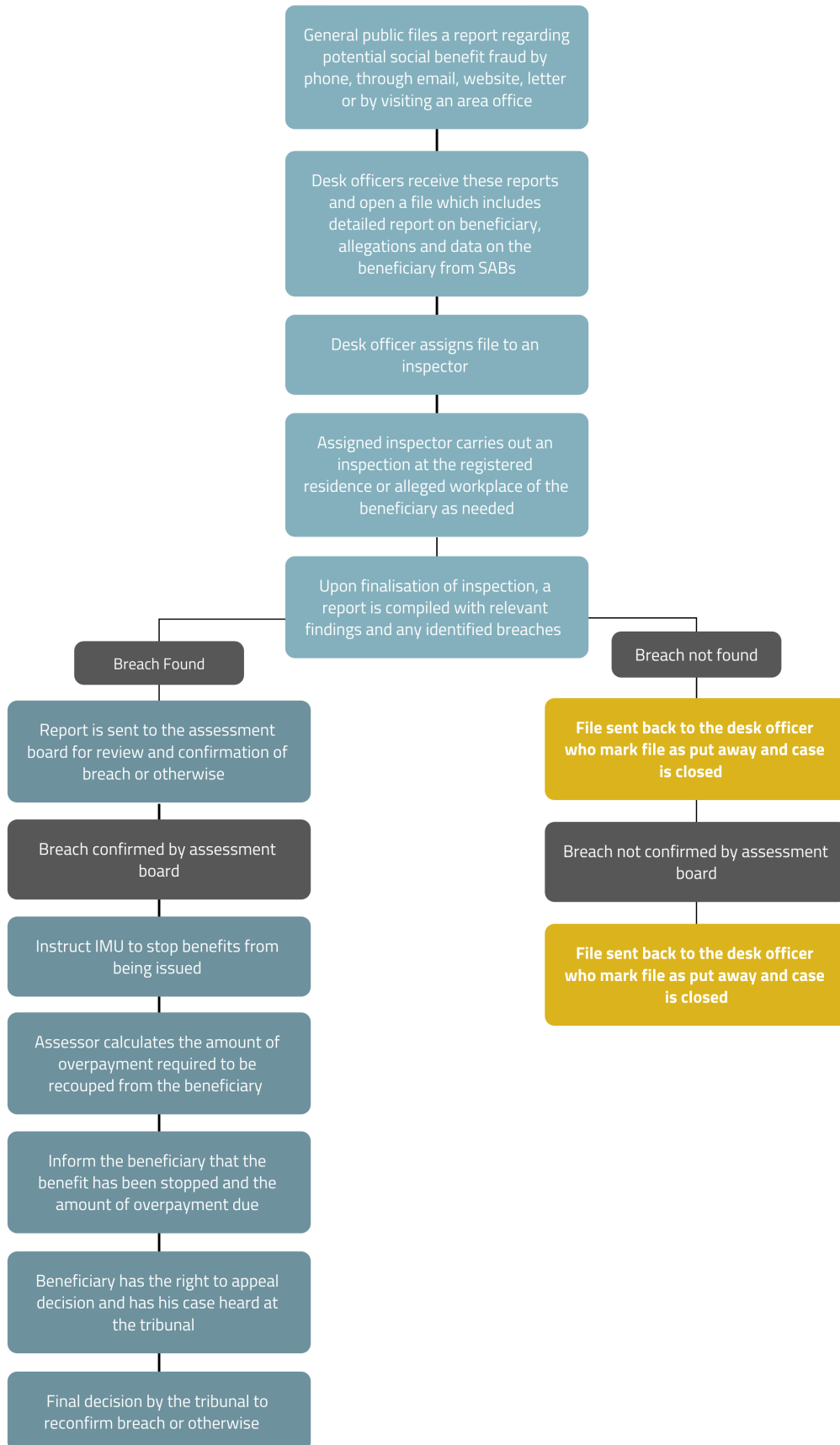


Figure 4: BCU's enforcement process



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3.2. The Department would benefit from a stronger SOP system

- 3.2.1. After piecing together the above processes, the audit team sought to establish whether this is adequately regulated with Standard Operating Procedures (SOPs) and/or internal guidelines. To this end, NAO requested such related documentation from DSS and BCU for review and verification purposes. In reply, Director Income Support and Investigations (ISI) who heads both sections, forwarded SOPs which the audit team noted are related to DSS's operations, as they laid out procedures of how non-contributory benefits are to be awarded to eligible applicants. No SOPs related to BCU's inspectorate functions were forwarded to NAO at this point.
- 3.2.2. Upon review of the forwarded DSS SOPs, it was noted that while these included checks which are to be undertaken during the approval stage of received applications, the audit team however observed that these do not regulate the process by which exceptions (discussed in further detail in subsequent parts of this report) are issued nor do they list all eligibility thresholds. Specifically, NAO observed that these SOPs do not lay out a process or circumstances under which assessors could approve exceptions from eligibility requirements. It was also observed that these SOPs only featured eligibility thresholds which relate to income, capitalisation of property (other than the residential home) and savings. However, during meetings with Director General Income Support and Compliance (ISC) and Director ISI, the audit team was informed that the ownership of one car per license holder within the beneficiary household, as well as the ownership of a summer residence, do not preclude the beneficiary from being eligible for social benefits. Seeing that these exemptions are not included in the forwarded DSS SOPs, NAO enquired with DSS management from where they originate. In reply DSS forwarded this Office copies of extracts from a file entitled "Adult Children abandoning/banished from households and other guidelines on social assistance" which file was opened in 1983 and has the last recorded entry in 2002. From these extracts the audit team observed a document which establishes that cars for personal use are to be exempted from the non-contributory social benefits eligibility thresholds. While the date of this document is not registered in the forwarded copy, the audit team observed that the first available copy of subsequent notes included in this file was dated 1988, which implies that this document dates back more than 30 years. Given that this is what was forwarded to NAO, the audit team concludes that this exemption has never been since revised nor was it ever better formalised in SOPs. Similarly, the exemption of a summer residence from the aforementioned eligibility thresholds stems from a minute to this effect in this same file.
- 3.2.3. In view of the fact that the forwarded SOPs were only related to DSS operations, NAO once again approached Director ISI to send any SOPs or guidelines which regulate the functions carried out by the BCU (that is, the Department's inspectorate branch). When this documentation was eventually sent to this Office a review was carried out by the audit team, who observed that, while these did cover all the inspectorate and enforcement processes as illustrated in Figure 4, detail with which procedures are to be carried out was lacking. In particular, the audit team observed how the SOP entitled "Investigative Procedures Based on Incoming Reports" describes the inspection process on a very high level, rather than laying out detailed guidelines and procedures to what this Office considers to be a very sensitive function of BCU's inspectors. Specifically, NAO observed

that this SOP, amongst others, does not clearly guide inspectors on how to approach beneficiaries under investigation and does not provide set procedures on how these officers should conduct inspections, how to deal with possible escalations and how to proceed in the case of a no-answer by the investigated beneficiary.

- 3.2.4. During the site visits conducted by the audit team with BCU’s inspectors, it became apparent that these officers were not strictly following a documented SOP. Notwithstanding (and as will be better discussed in subsequent parts of this report), it is important to highlight that in all visits conducted, these inspectors were observed to act in a very decisive and sure-footed manner, undoubtedly the result of extensive on-the-job experience.

NAO Observation

- 3.2.5. While NAO acknowledges that SOPs are in place NAO perceives the distinct need for these documents to be more comprehensive. Particularly in the cases of exceptions, social benefit eligibility as well as the manner by which BCU inspectors carry out inspections, this Office is of the opinion that unnecessary risks are generated through the lack of sufficient documented detail in the event that contestations on related practices are raised either by potential beneficiaries or by those under investigation.

3.3. Desk based checks at application stage found to be adequate, but no physical checks are carried out

- 3.3.1. During meetings with the Department’s management, the audit team was informed that checks on prospective beneficiaries start at application stage. Specifically, it was explained that application forms are reviewed for completeness and to ascertain that the applicant satisfies applicable eligibility requirements⁴. A tax profile is subsequently secured from the Tax Compliance Unit (TCU) so that the applicant’s registered assets (such as, shareholding, vehicles and property) are identified and factored into the eligibility assessment. Should the applicant be found in compliance with the eligibility criteria of the respective benefit, this will be duly awarded.

- 3.3.2. In order to verify that this process is actually undertaken by the Department, the audit team requested an explanation by the Unit’s assessors to gauge the fluency by which the latter proceed through the process. In addition to the provided explanation and demonstration, which indicated that assessors do follow this process during the execution of their work, the audit team proceeded to carry out further verification, mainly through the review of documentation pertaining to this process. For this assessment, NAO selected a random sample of 60 application files, which applications had been submitted during the period between April 2021 and May 2022. The audit team reports that, from this review, it could confirm that the above explained process is followed consistently and comprehensively.

⁴ At this stage, approval from the Department’s Medical Board is also sought should the benefit being applied for so merit.

- 3.3.3. While not underestimating the importance of desk-based research, this Office however contends that these should be substantiated with physical, “on the ground” inspections so that documented circumstances could be better confirmed with visual observations, deeming the latter as a very effective added layer of control. However, during meetings with the Department’s management, the audit team was informed that such initial inspections are not carried out.
- 3.3.4. The audit team noted that the application stage does not only occur in the case of new beneficiaries who would have never tapped into the social benefit system, but is also undertaken by individuals who would have previously availed of social benefits but would have been identified as engaging in fraudulent practices and would have consequently have had their benefits halted. Discussing this issue with the Department’s management, NAO was informed that should such individuals opt to reapply for NCSBs, their application would be largely treated as a fresh start, and the same process as other applicants would be undertaken with no material distinction. This means that desk-based research is conducted, but no “on the ground” inspections are carried out to ascertain that the fraudulent circumstances which would have been previously identified have been rectified.

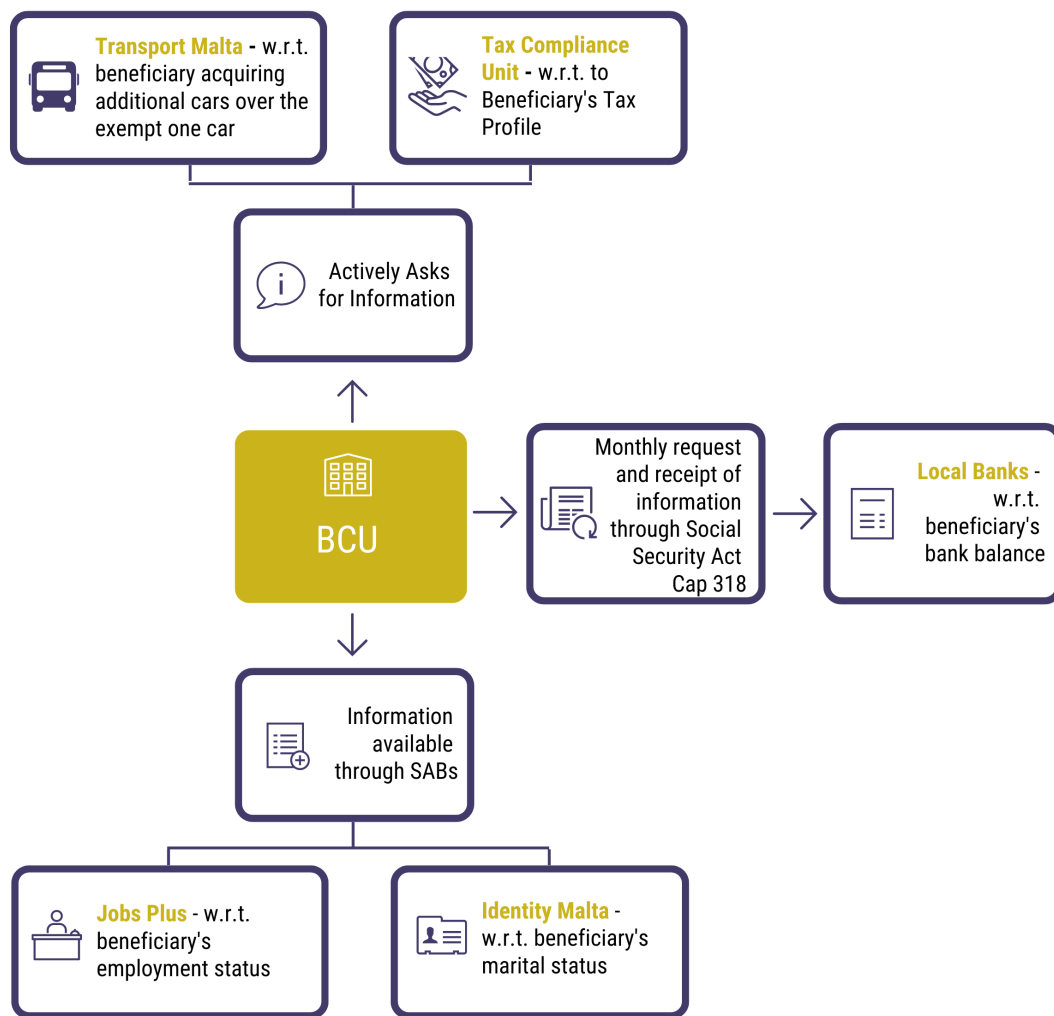
NAO Observations

- 3.3.5. This Office commends the consistency and comprehensiveness by which desk-based research is carried out and is duly documented with respect to application received for social benefits. This practice provides homogeneity and transparency in the Department’s processes in this respect, thereby adhering to good practices.
- 3.3.6. Notwithstanding, this Office questions the decision of not conducting physical inspections at application stage. While acknowledging that such visits are time consuming and labour intensive, NAO considers them as the most effective inspectorate tool at the Department’s disposal and would yield insight on considerations (particularly whether an individual is living beyond one’s means) which can never be successfully detected by desk-based research. This Office feels that these concerns become more pressing, for obvious reasons, in cases of individuals who would be re-applying to avail from social benefits after being identified as defaulters.

3.4. Checks on existing beneficiaries are largely reactive

- 3.4.1. From its review, NAO saw that desk-based work is prevalent in BCU’s operations and is intended to serve as the basis on which any subsequent “on the ground” inspection (if deemed required) is built. Figure 5 shows the channels through which BCU obtains desk-based information pertaining to compliance, or otherwise, by beneficiaries on set eligibility thresholds and criteria.

Figure 5 - Sources of Information at BCU's disposal



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Agreements for information on eligibility thresholds are in place with main local banks

3.4.2. During meetings with BCU management, the audit team was informed that the former has agreements with 11 local banks as well as the Malta Stock Exchange, which agreements are intended for BCU to receive information from these institutions, on a monthly basis, on beneficiaries' savings and generation of interest. This is done so that the Department could assess whether beneficiaries have exceeded the set eligibility thresholds in this respect or otherwise.

3.4.3. In order to verify these claims, NAO requested copies of these agreements from BCU. In reply the latter asserted that no written agreements are in place, but information still reaches the Department from these entities (consistently in a timely manner) as this is its legal right (by virtue of the Social Security Act). It must however be noted that such agreements are only in place with banks who have a physical presence in the country. Specifically, when asked whether similar arrangements extend to banks which do not have a physical presence in Malta (particularly those based on online platforms) or other financial institutions, BCU confirmed that no similar

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communication is secured with such organisations. Asked whether the Department would consider involving such entities in its checks, the former replied that while it is its aspiration to establish a working relationship with the latter, complications on information systems compatibility and associated costs were sure to create significant stumbling blocks. In view of this complication, the audit team further enquired whether practical checks during physical inspections could be carried out in this respect. In reply, BCU stated that this could be discussed with the state advocate to establish its legality and viability.

3.4.4. In order to better understand how the aforementioned arrangements with local banks work, the audit team held a meeting with the Department's Information Management Unit (IMU). During this meeting, NAO was informed that, on a monthly basis, BCU (through IMU) sends the latest updated list of beneficiaries to these banks so that they could revert back with the listed individual's savings as well with any interest that may have been generated in favour of the latter. IMU further explained that the received data is then inputted in the System for Administration for Social Benefits (SABS), which automatically aggregates all balances relating to each beneficiary and produces red flags with respect to any individuals who have exceeded the set thresholds. The audit team was additionally informed that this system automatically designates any defaulting individual as no longer eligible to receive social benefits.

3.4.5. IMU further explained that benefits to individuals who would have been identified as exceeding the set thresholds are immediately stopped and IMU (being the Unit which ultimately issues monthly payments to beneficiaries – Figure 3 refers) desists from issuing any further payments to the respective party. The audit team was however informed that, in certain instances, exceptions would be in place. Specifically, IMU explained that there are cases that, upon assessment of the beneficiary's application, DSS assessors would issue an exception which would allow specific beneficiaries to retain bank balances which are higher than the established thresholds. As a consequence, IMU would periodically receive a list of these exceptions so that it could allow for these when determining whether benefits would be stopped or otherwise when specific balances would have exceeded the established thresholds.

3.4.6. The audit team held meetings with a representative of DSS's assessors (RDA) to enquire on why such exceptions are issued. In reply, this Office was informed that such a decision would be warranted for various reasons, for example, in cases in which a beneficiary would be caring for a disabled dependant, it is not uncommon for the latter's savings to be registered on the former's name. This situation would inflate the beneficiary's bank balances, possibly causing the set threshold to be exceeded.

Systematic information transfer similar to that from main banks is not in place with other relevant stakeholders

3.4.7. As information required by BCU (to ascertain that benefits eligibility thresholds are not exceeded) is not only required from local banks but also from other stakeholders (Figure 5 refers), the audit team enquired whether similar arrangements to those established with local banks are in place

with other relevant stakeholders. In reply however BCU management stated that while some of the required information can be accessed freely by its inspectors through the SABS (such as employment information from Jobs Plus and marital status from Identity Malta), information on car ownership and tax profiles is not received periodically, but has to be actively asked for by the Department from other government bodies on a needs basis (in these cases Transport Malta and the Tax Compliance Unit respectively).

BCU periodically launches desk-based initiatives to identify non-compliance

3.4.8. During meetings with BCU management, NAO was informed that the Unit periodically launches what it refers to as initiatives (Table 6 refers), which would involve a review on beneficiaries availing of a particular social benefit. Specifically, the Unit has two Desk Officers (DOs) who, among other duties, are occasionally instructed by management to prepare case files on a number of beneficiaries who would have been earmarked by management as part of an initiative. These files are then forwarded to inspectors who would proceed to conduct more extensive desk-based work to determine whether, from such an exercise, it can be identified that individuals are not compliant with the requirements set for the respective benefit/s.

Table 6: Number of beneficiaries reviewed under BCU initiatives between 2019 and 2022

Year	ICRA - Increased Carers Allowance	SKA - Medical Assistance	SA - Social Assistance	SUP - Single Unmarried Person	Uncashed Cheques	UA - Unemployment Assistance	AP - Age pension	SUA - Subsidiary Unemployment Assistance	SUA Uncashed	Total
2019	20	44	42	16	7	3	0	0	0	132
2020	23	109	49	15	1	7	27	0	0	231
2021	1	10	32	6	0	2	92	0	0	143
2022	38	0	4	0	0	7	59	20	22	150

3.4.9. Enquiring on the depth of these initiatives, however, NAO noted that these would primarily consist of desk-based research, with “on the ground” inspections only being carried out if red flags are identified during this review.

BCU does not have a system of periodic sampling for proactive inspections

3.4.10. During its discussions with BCU, this Office was informed that physical inspections “on the ground” are only conducted if reports alleging benefit fraud are received, or when red flags emerge from desk-based checks as part of the aforementioned BCU initiatives. In view of this, NAO enquired whether internal exercises are undertaken so that risk-based samples of beneficiaries are periodically selected and earmarked for physical inspections, even if no reports are received nor red flags are identified through a BCU initiative. This query was put to the Department as NAO deems physical, “on the ground” inspections, as an indispensable tool to ascertain whether a beneficiary, in actual fact, is complying with eligibility requirements and not living beyond one’s declared means. In reply to this, however, BCU Management agreed with the audit team that such a methodology has its merits but stated that, as at the time of writing, this is not practiced.

NAO Observations

- 3.4.11. This Office commends BCU and the establishment of arrangements with local banks providing the former with regular information on beneficiaries with which the Department can easily monitor the savings-related eligibility threshold. While NAO acknowledges that the current system appears to be working well, it feels that good practice still dictates that formalised documentation to govern these agreements should be in place.
- 3.4.12. The lack of visibility that the BCU currently has on savings (to ascertain compliance with the applicable thresholds) which beneficiaries may entrust to financial institutions that rely solely on online platforms and those that do not have a physical presence in Malta, is cause for concern to the NAO. This concern becomes even more pressing when one considers the evident increase in the popularity of online-based platforms in recent years.
- 3.4.13. NAO also questions why arrangements, similar to those established with local banks, are not in place with other stakeholders, particularly Transport Malta and the Tax Compliance Unit. The fact that information (held by these entities and which impacts the beneficiaries' eligibility for social benefits) has to be actively asked for and is not regularly received, results in related checks only being carried out on a needs basis rather than as a norm. With such a situation, NAO perceives the distinct risk that abuse could remain unnecessarily undetected for a much longer period of time than it would have if such information would be periodically received automatically and duly considered by BCU.
- 3.4.14. Particularly in view of the above shortcomings, NAO acknowledges that BCU carries out desk-based initiatives so that non-compliance in the eligibility thresholds could be better identified. This notwithstanding, this Office remains convinced that desk-based work on its own does not provide reasonable comfort if this is not substantiated by physical "on the ground" inspections. Specifically, NAO contends that certain benefit fraud could avoid detection from desk-based checks but could be more easily identified through a physical inspection. Such fraud could include beneficiaries securing undeclared income and refraining to deposit it in a bank account, thereby officially not exceeding the set threshold. This Office contends that in such instances desk-based research can never detect this fraud and that it is only with "on the ground" inspections that the Department may identify indications that the investigated beneficiary is living beyond one's declared means. Similarly, the identification of beneficiaries on single unmarried parent allowance who live with a partner unofficially is also difficult to be identified through desk-based research alone while a physical inspection is likely to result in detection.

3.5. Inspectorate complement falls short of the ideal in quantity

Number of BCU inspectors falls short of the ideal complement

3.5.1. The powers conferred to a BCU inspector are laid out in article 113 of the Social Security Act (Cap 318). These powers include:

- a. to enter without previous notice at all reasonable times any premises or place where he has reasonable grounds for supposing that there are persons who are in insurable employment or self-occupied;
- b. to make such examination and inquiry as may be expedient for ascertaining whether the provisions of this Act are being or have been complied with in any such premises or place, or for investigating the circumstances in which any injury or disease which has given rise to a claim for benefit, pension, allowance or assistance, was or may have been received or contracted;
- c. to examine, either alone or in the presence of any other person, as he thinks fit, with respect to any matters under this Act on which he may reasonably require information, any person whom he finds in any such premises or place, or whom he has reasonable cause to believe to be or to have been an employed person or a self-occupied person, and to require every such person to be so examined; and
- d. to exercise such other powers as may be necessary for carrying this Act into effect.

3.5.2. During meetings with BCU, the audit team was informed that this Unit currently has three inspectors who are bestowed with the abovementioned powers and who are assigned to carry out inspections, as required, on beneficiaries under investigation. While this number of inspectors was confirmed by NAO through meetings with these same officers, the former enquired with BCU management if this complement is sufficient for them to ensure an adequate visibility on potential social benefit fraud. In reply, BCU management stated that this number is one less than what the Unit operated with till 2018 but further asserted that recruiting additional inspectors is not a straightforward matter. BCU emphasised that the work of these inspectors is a very delicate one and requires highly dependable individuals. Given these circumstances, the Unit asserted that it is apprehensive to engage additional officers so as not to risk impinging on the smooth running of current operations as well as on the inspectorate team's cohesion.

3.5.3. In view of this statement, NAO enquired whether the current complement is sufficient to address the Unit's workload, to which BCU management stated that these officers are managing to cope with the current system, even if an additional inspector would bring this complement up to what it considers as ideal. This statement was also confirmed during meetings with the inspectors themselves, though these asserted that any increase in workload (particularly if a system of proactive inspections is introduced) will surely necessitate the engagement of additional officers. Asked whether any documented study was carried out to determine the abovementioned

ideal complement, BCU replied in the negative and asserted that this number is based on past operational experience.

BCU inspectors can be deployed more efficiently during “on the ground” inspections

3.5.4. During inspection visits in which the audit team accompanied BCU inspectors, this Office observed that, due to the odd number of this inspectorate’s complement, inefficiencies prevail in their deployment. Specifically, NAO acknowledges that, for safety reasons and to adhere to the four-eye principle, each inspection needs to be conducted by two inspectors. However, this Office also observed that daily inspection schedules would necessitate that all three inspectors would need to be deployed as all three would be assigned as the lead in at least one of the planned inspections. This consequently means that at any one point in time one inspector would remain idle in the Department’s car during an inspection, which essentially translates to a 33% inefficiency of the deployed resources during inspections.

Inspections carried out professionally at beneficiaries’ residences

3.5.5. As part of its fieldwork, NAO accompanied BCU’s inspectors to a number of inspection visits at the residences of beneficiaries who were under investigation. The audit team liaised with BCU’s inspectors and resolved to accompany the latter on four separate dates. As per inspectors’ normal practice, each day was scheduled to include four inspections, bringing the total number of intended inspections to 16. These visits however made it immediately apparent that it is very difficult for the inspectors to carry out all of the planned inspections in a day, as most of the investigated beneficiaries would not be at their place of residence at the time of the inspection. In fact, from the total 16 targeted inspections for this review, the audit team only managed to observe four actual inspections. In this respect, BCU inspectors informed the audit team that such a low hit rate is not uncommon. In these cases, inspectors would attempt to conduct other surprise inspections at later dates. Should the inspectors still not manage to make contact with the investigated beneficiary (physically at the registered residence) after repeated attempts, the former would then use other means to reach the beneficiary. This could be confirmed through the audit team’s review of BCU inspection files.

3.5.6. Despite the low number of successful inspections which the audit team managed to observe during its fieldwork, it still considers them sufficient for the purposes of this study as these visits were intended to provide qualitative (rather than quantitative) results, and to primarily shed light on the manner by which BCU’s officers conduct these inspections. In view of this consideration, together with the fact that the low hit-rate was proving to be unpractically time-consuming for the audit team, the latter resorted to assess the inspectors’ work on these four visits.

3.5.7. During these visits, the audit team positively noted that BCU’s inspectors conducted themselves consistently, professionally and in a manner which was well suited to the sensitive nature of these inspections. This Office also observed commendable persistence by the officers in the instance in which a beneficiary attempted to pressure them into postponing the inspection. Similar

observations were made in a case in which inspectors resolved to wait for another investigated party till her return, after relatives of the latter informed the officers that the beneficiary was out.

- 3.5.8. While NAO understands that the surprise element had to be preserved at the very initial stages of these inspections to avoid intentional “no-answers” from investigated parties, BCU officers introduced themselves and revealed their professional capacity immediately after making successful contact. During these observed inspections (which were all carried out in residences) the audit team observed that officers were thorough in their inspections with the audit team noting no oversights.

Review of case files shows good retention of documentation but exposes flaws in investigative efforts with respect to work-related allegations

- 3.5.9. The above observations on the manner by which inspectors conduct visits at beneficiaries’ residences were substantiated by the review of sample case files carried out by the audit team. Specifically, NAO selected a random sample of 60 case files, which was composed of 20 such files for every year between 2019 and 2021. Out of these 60 files, 17 included allegations that beneficiaries were engaged in employment while receiving benefits. During its review, NAO found comprehensive and clear documentation which reflected closely the observations made during its site inspection visits in cases involving allegations of benefit fraud unrelated to work. In these instances, details of the inspection were generally found to be adequately documented. Similarly, this Office found that case files related to desk-based checks by BCU (namely on generated bank interests) were found to be adequately detailed with respect to actions taken by the Department in its related investigations.

- 3.5.10. It must however be noted that the 17 case files that related to allegations of beneficiaries engaging in employment, while comprehensively documented, led the audit team to question whether sufficient inspectorate effort is being invested on this front. Specifically, NAO observed that checks carried out in such instances generally fell short of what this Office considers as essential to verify or otherwise such claims. Amongst others, the audit team observed instances in which: conclusions to investigations were based solely on negations made by the alleged employer and/ or the beneficiary with no further verifications; inspections were carried out during times that differed significantly from the reported time in which the investigated party allegedly engages in work; and investigations on work-related allegations were not carried out as beneficiaries would have had their benefits revised due to other confirmed allegations. Appendix D presents these cases and NAO’s related observations in more detail.

NAO Observations

- 3.5.11. Notwithstanding that this Office acknowledges that the current inspector complement is coping with the workload assigned to them at present, this Office remains concerned with the fact that these are inefficiently deployed, with one inspector remaining in the car during each inspection.

This concern becomes even more pressing when one considers the very small size of this inspectorate complement, with this inefficiency effectively resulting in 33% of the complement being idle during an inspection.

3.5.12. While NAO appreciates the apprehensions that BCU expressed with respect to recruiting additional inspectors (namely that new inspectors need to be dependable and a good fit with the current complement), it does not feel that this justifies the fact that the Department is not actively seeking to increase this complement. The inefficiency in the deployment of BCU inspectors as mentioned in the immediately preceding observation, makes this concern even more imperative as this could easily be rectified with the engagement of additional inspectors.

3.5.13. While this Office feels that the manner by which BCU officials carry out inspections at investigated beneficiaries' residences is adequate, it remains concerned on the somewhat slack approach which is adopted in case of allegations related to work. NAO strongly feels that such a situation also diminishes the Department's image as an effective enforcer, potentially incentivising otherwise avoidable attempts at benefit fraud.

3.6. NAO Recommendations

3.6.1. This Office urges DSS and BCU to ascertain that SOPs relating to their operations are revisited to include all relevant detail, particularly with respect to exceptions, social benefits eligibility and procedures on how to conduct inspections. In addition, NAO suggests that, during this revision, SOPs (particularly those relating to BCU) are re-written in a manner that is more instructive rather than descriptive, thereby ensuring clarity and these documents' intended purpose. In so doing, DSS and BCU would be affording their officers a stronger basis with which to defend the decisions taken during the execution of their work, particularly in the event of contestations by potential beneficiaries or investigated parties.

3.6.2. NAO urges the Department to consider introducing a system in which "on the ground" physical inspection would be a formal part of the initial checks carried out when approving new beneficiaries, particularly those who would have been previously receiving such benefits but would have been identified as engaging in benefit fraud. This Office firmly considers such inspections to be the most effective tool at the Department's disposal by which it could identify whether an applicant is truly eligible for social benefits or otherwise. This is because these inspections could provide direct observations of defaulting circumstances, while they also could provide strong indications of whether the applicant would be living beyond one's declared means, thereby implying that the respective individual would be securing income that is not formally recorded.

3.6.3. While this Office commends the BCU on the arrangements secured with local banks or the receipt of information on a monthly basis, it still suggests that the Department considers strengthening these arrangements through formalised documentation. In NAO's opinion, this formalisation could include considerations on the timeliness and format by which information from local banks is received by the BCU to ascertain the continued smooth running of the respective monthly monitoring of savings and interest thresholds by the Department.

3.6.4. In view of the fact that fraudulent beneficiaries could entrust savings with financial institutions which are not within BCU’s current visibility, NAO strongly urges the latter to invest the necessary efforts to mitigate the risks which emanate from this situation. Should direct contact and agreements with these entities prove impractical or severely challenging, this Office recommends that BCU explores workaround solutions. Such solutions could include tracing transactions to and from these institutions from or to others with which the Department already has an established working relationship.

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3.6.5. In addition, wherever possible and if the practice’s legality is confirmed, NAO encourages BCU to introduce associated practical checks during physical inspections of an investigated party, after due consultation on such practices with the Attorney General.

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3.6.6. This Office encourages BCU to enter into arrangements with TM and TCU for periodic reporting of relevant information on its beneficiaries, as is the current practice in case of identified local banks. This monthly reporting will bring to BCU’s attention any beneficiaries who would have purchased or sold vehicles or properties, with this information being then proactively duly considered against the set eligibility thresholds. NAO further suggests that the Department and relevant stakeholders consider options by which such transfer of information can be carried out automatically at set frequency intervals, so that minimal load on every entity’s human resources is registered in fulfilling this task.

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3.6.7. This Office strongly believes that proactive inspections need to be introduced in BCU’s operations as this is the only tool by which benefit fraud which is left unreported or which can never be detected through desk-based research can be detected. In addition, NAO feels that regular, proactive inspections based on risk and/or a sound sampling methodology, would significantly elevate the Department’s image as an effective enforcer. This in turn would surely contribute to decreased attempts at benefit fraud due to an increased presence.

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3.6.8. The need for additional inspectors “on the ground” is evident in NAO’s view. Firstly, in view of the fact that inspections are carried out in pairs, this Office suggests that the Department ensures that the inspectorate complement is sufficient so that all deployed inspectors are efficiently utilised at all times while “on the ground”. Secondly, as it is NAO’s view that BCU’s inspectorate function should be broadened to include a proactive element (immediately subsequent recommendation refers), an increase in their complement would surely be required so that this broadened function could be better executed.

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3.6.9. Rigour in the manner by which inspections on alleged work are carried out needs to be enhanced in NAO’s view. Different methodologies could be explored, so that allegations, particularly of self-employment, are better investigated. In addition, the Department needs to better consider its approach when it comes to investigating alleged work beyond office hours, possibly by introducing a system in which, on some occasions, its inspectors would call in for work in the afternoon to address such cases.

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NAO considers the NCSB system to be a delicate balancing act between ensuring that deserving individuals are provided with sufficient income to secure a minimum decent standard of living, while ascertaining that the availability of these benefits is not extended to individuals who can either engage in gainful employment or who are in possession of significant wealth.

However, this audit has shown that, with the current NCSB system, financially vulnerable four-member households who have no choice but to depend on this safety net are not being provided with sufficient income to sustain a minimum budget by which they could secure a minimum decent standard of living. This Office maintains that such a situation signals the fact that the main objective of NCSBs is not being fully achieved. It is therefore paramount that this situation is reviewed and addressed accordingly so that the more vulnerable segments of society are duly safeguarded and provided with what is considered a minimum income for them to lead a dignified life.

This notwithstanding, and while acknowledging the Department's stated claim that beneficiaries have been on the decrease over the years, NAO is of the opinion that the current eligibility thresholds and criteria (both those cited in local law and those decided on by the DSS) are in need of a review as, presently, these are set at a level at which individuals with considerable wealth are being allowed to tap into NCSBs. Such a situation is surely counterproductive, especially when one considers that income provided through social benefits to four-member households who really need them do not sufficiently cover their daily expenses to enjoy a minimum standard of living. While NAO acknowledges the need for a temporary safety net for anybody who falls on hard times, it contends the long-term nature of such benefits to individuals who possess high value assets. This Office contends that savings that result from the tightening of eligibility criteria could make up for the increased levels of social benefits in instances in which intended beneficiaries can truly be considered as vulnerable.

An improved NCSB system would surely require an improved inspectorate to monitor for any irregularities and enforce this field accordingly. To this end, the BCU would need to expand its operations considerably (particularly "on the ground" inspections) and support this expansion by a larger inspector cohort. This Office contends that inspections need to take a more proactive dimension in BCU's operations, governed by solid risk assessment matrices (based on institutional knowledge and information received through prior inspections) which would be compiled internally by the Department. In addition, more rigorous inspections need to be carried out, especially in the case of allegations or suspicion that NCSB beneficiaries would be engaging in employment. In so doing, BCU would strengthen its image as an enforcer which would in turn serve as a deterrent for the occurrence of benefit fraud.

Appendix A | Social Security Non-Contributory Benefits by period and description (NSO News Release, 6th April 2022)

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Description	Jan-Dec 2019		Jan-Dec 2020		Jan-Dec 2021	
	Beneficiaries	€ 000	Beneficiaries	€ 000	Beneficiaries	€ 000
Non-Contributory Benefits	-	187,066	-	198,641	-	200,998
Child Allowance	-	39,511	-	41,795	-	43,876
Children's Allowance	42,678	37,665	45,606	39,346	44,490	38,158
Foster Child Allowance	191	1,846	187	1,638	197	1,989
Child Benefit Bonus ¹	-	-	2,986	811	3,230	999
Children's Allowance Supplement ²	-	-	-	-	43,655	2,730
Old Age Pension	-	31,818	-	36,170	-	32,425
Age Pension	5,031	22,626	4,906	24,898	4,671	21,767
Increased Carers' Allowance	1,145	7,240	1,266	8,868	1,416	8,480
Assistance Visually Impaired	389	1,953	413	2,403	424	2,178
Disability Pensions/ Allowance	-	24,742	-	29,121	-	29,516
Disability Child Allowance	1,652	2,234	1,716	2,305	1,866	2,887
Disability Assistance	169	624	205	813	260	906
Severe Disability Assistance	3,289	17,212	3,398	19,553	3,704	19,425
Increased Severe Disability Assistance	670	4,673	787	6,450	872	6,297
Total Social Assistance	-	50,096	-	47,357	-	46,040
Drug Addicts Allowance	59	48	70	52	87	50
Social Assistance	4,987	22,410	4,598	21,521	4,444	20,144
Carers' Allowance	271	1,030	356	1,418	407	3,656
Social Assistance for Single Parents	2,734	12,087	2,616	12,055	2,597	11,509
Unemployment Assistance	1,099	3,886	1,107	3,696	933	2,889
Social Assistance Board	6	7	4	6	3	4
Unemployment Assistance Taper	2,710	6,083	2,010	4,025	1,625	3,212
Subsidiary Unemployment Assistance	1,350	4,546	1,236	4,584	1,284	4,575

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Medical Assistance	-	18,505	-	18,525	-	18,287
Sickness Assistance	12,226	18,410	11,969	18,446	11,859	18,191
Leprosy Assistance	23	54	21	51	18	37
Milk Grant	55	41	58	28	64	58
Supplementary Allowance	24,254	8,706	23,405	9,299	22,949	13,480
Total In-Work Benefit	-	4,430	-	6,522	-	7,013
In-Work Benefit	5,133	4,430	5,337	5,869	7,246	6,373
In-Work Supplement ³	-	-	3,276	653	2,541	641
Bonus	-	9,258	-	9,852	-	10,362

¹ Introduced in 2020.

² Supplementary payment to Children's Allowance recipients, first payments made in January 2021.

³ Supplementary payment to In-Work Benefit recipients, introduced in 2020.

Appendix B | List of NCSB with related details and eligibility criteria (As at 2023)

	Awarded to	Number of beneficiaries	Benefit rate - weekly	Means tested/not	Threshold	Exception	Threshold reference to Act
Age Pension	Person who reaches 60 years of age, who does not have enough paid or credited Social Security Contributions	4,014	Wife/husband Qualify: €115.25 Single: €128.86 Married: €161.63	Means tested	€ 14,000 Single and € 23,300 married	30,000 single and 50,000 married if inheritance and been receiving over 5 years	Social security act cap 318 AP- article 66 and <u>AP Thresholds schedule 2 part 4</u>
Carer's Allowance	Single, married, in civil union, or cohabiting person who is over 18 years of age and is taking care of a relative, with low dependency, on a full-time basis living within the same household	334	Max rate €97.97 (less other benefits or pensions)	Not Means tested			
Increased Carers' Allowance	Single, married, in civil union, or cohabiting person who is over 18 years of age and is taking care of a relative, with high dependency, living within the same household on a full-time basis.	1,239	€151.07	Not Means tested			
Foster Child Allowance	authorised fosterer carers providing a foster care service to a child.	183 as at April 2022	€110	Not Means tested			

<p>In-Work Benefit</p>	<p>Assist couples and single parents who are in a gainful occupation and have children under the age of 23 years, who are still dependent and living with them.</p>	<p>6,444 as at Jan 2022</p>	<p>Couple - One Person Employed €3.85 to €14.04 Couple - Both Persons Employed €3.85 to €13.46 Single Parent- €3.85 to €21.15</p>	<p>Income means tested</p>			
<p>Milk Grant</p>	<p>Mother who has the care and custody of a child who is less than 40 weeks of age and requires weaning or complementary feeding else to a mother who cannot breastfeed for medical reasons.</p>	<p>19</p>	<p>€23.66 for €40 weeks</p>	<p>Means tested</p>			
<p>Sickness Assistance</p>	<p>A person becomes entitled to Sickness Assistance if s/he proves to the satisfaction of the Director of Social Security that s/he or any member of his/her household is suffering from a disease that could only be cured or alleviated by a special diet or regimen, which incurs an exceptional expenditure.</p>	<p>10,462</p>	<p>1 person - €27.85 must be patient</p>	<p>Means tested</p>	<p>€ 14,000 Single and €23,300 married</p>		<p><u>SA Thresholds</u> schedule 2 part 2</p>

Social Assistance	Incapable of working due to medical reasons; or cannot engage in employment due to having care and custody of children and is legally or de facto separated; or be married, in a civil union; cohabiting or caring for the spouse who may be critically ill.	3,635	Max rate 1 per person €111.18 additional €8.15 per additional member maximum	Means tested	€ 14,000 Single and € 23,300 married	SA <i>Thresholds</i> schedule 2 part 6 and schedule 2 part 2
Social Assistance Board	If the head of household, for some reason, is struck off from Part 1 of the Jobs Plus register and is registering under Part 2, the partner may apply for social assistance.	-		Means tested	€ 14,000 Single and € 23,300 married	SA <i>Thresholds</i> schedule 2 part 6 and schedule 2 part 2
Social Assistance for Single Parents	Single Unmarried Parent Allowance may be awarded to a single unmarried parent who is not engaged in a gainful occupation.	2,095	Alone - €111.18 + €8.15 per child maximum with a parent / family €83.81 + €6.13 per child	Means tested	€ 14,000 Single and € 23,300 married	Social security act cap 318 AP- article 30

<p>Subsidiary Unemployment Assistance</p>	<p>A person having a Subsidiary Protection Status; A person who is unemployed and satisfies the means test as per Social Security Act; A single person or Person Responsible for Household who has other family members living within the same household.</p>	<p>933</p>	<p>Alone- €111.18 + €8.15 per child maximum with a parent / family €83.81 + €6.13 per child</p>	<p>Means tested</p>	<p>€ 14,000 Single and € 23,300 married</p>	<p>Law does not put the requirement</p>
<p>Supplementary Allowance</p>	<p>A person having a low income and is currently not in receipt of a Children's Allowance. This allowance is intended to help a person bridge his /her income requirements.</p>	<p>21,229</p>	<p>According to income</p>	<p>Income Means tested</p>		
<p>Unemployment Assistance</p>	<p>Awarded to a head of household who is registering under Part 1 of the Unemployment Register.</p>	<p>265</p>	<p>Max rate 1 per person €111.18 additional €8.15 per additional member</p>	<p>Means tested</p>	<p>€ 14,000 Single and € 23,300 married</p>	<p>Social security act cap 318 AP- article 30</p>

<p>Unemployment Assistance Taper</p>	<p>Persons in receipt of Unemployment Assistance (UA), Social Assistance (SA) and Social Assistance for Single Unmarried Parents (SUP) to employment. Tapering of Benefits is given for a 3 year period to those beneficiaries who become engaged in employment or also as self occupied as long as they earn the national minimum wage or more.</p>	<p>1,002</p>	<p>As from 2023 75% 1st year of benefit 55% 2nd Year 45% 3rd Year</p>	<p>Not Means tested</p>			
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Appendix C | Detailed calculations

Minimum Essential Budget for a Four-Member Family to have a Minimum Standard of Living in 2023

Item	Sources and Considerations	Amount	Total Cited in NAO Report
Food	Caritas report 2020	€ 7,121	€ 8,746
	Caritas Report 2022 Augmentation	€ 1,264	
	2023 inflation (European Commission website) - i.e. $(7,121 + 1,264) * 4.3\%$	€ 361	
Clothing	Caritas report 2020	€ 701	€ 788
	2021 inflation (NSO website)- i.e. $701 * 1.5\%$	€ 11	
	2022 inflation (NSO website)- i.e. $(701 + 11) * 6.15\%$	€ 44	
	2023 inflation (European Commission website)- i.e. $(701 + 11 + 44) * 4.3\%$	€ 32	
Personal Care	Caritas report 2020	€ 780	€ 877
	2021 inflation (NSO website)- i.e. $780 * 1.5\%$	€ 12	
	2022 inflation (NSO website)- i.e. $(701 + 12) * 6.15\%$	€ 49	
	2023 inflation (European Commission website)- i.e. $(701 + 12 + 49) * 4.3\%$	€ 36	
Medicines and Medical Care Products	Caritas report 2020	€ 307	€ 370
	Caritas Report 2022 Augmentation	€ 48	
	2023 inflation- i.e. $(307 + 48) * 4.3\%$	€ 15	
Medical Services	Caritas report 2020	€ 60	€ 67
	2021 inflation (NSO website)- i.e. $60 * 1.5\%$	€ 1	
	2022 inflation (NSO website)- i.e. $(60 + 1) * 6.15\%$	€ 4	
	2023 inflation (European Commission website)- i.e. $(60 + 1 + 4) * 4.3\%$	€ 3	
Household Goods and Maintenance	Caritas report 2020	€ 811	€ 911
	2021 inflation (NSO website)- i.e. $811 * 1.5\%$	€ 12	
	2022 inflation (NSO website)- i.e. $(811 + 12) * 6.15\%$	€ 51	
	2023 inflation (European Commission website)- i.e. $(811 + 12 + 51) * 4.3\%$	€ 38	

Household Laundry and Care	Caritas report 2020	€ 130	€ 146
	2021 inflation (NSO website)- i.e. $130 * 1.5\%$	€ 2	
	2022 inflation (NSO website)- i.e. $(130 + 2) * 6.15\%$	€ 8	
	2023 inflation (European Commission website)- i.e. $(130 + 2 + 8) * 4.3\%$	€ 6	
Water and Electricity	Caritas report 2020 (no inflation applied)	€ 330	€ 330
LPG	Caritas report 2020 (no inflation applied)	€ 120	€ 120
TV, Phone Internet	Caritas report 2020 (no inflation applied)	€ 360	€ 360
Smartphone and usage	Caritas report 2020	€ 410	€ 461
	2021 inflation (NSO website)- i.e. $410 * 1.5\%$	€ 6	
	2022 inflation (NSO website)- i.e. $(410 + 6) * 6.15\%$	€ 26	
	2023 inflation (European Commission website)- i.e. $(410 + 6 + 26) * 4.3\%$	€ 19	
Education, Cultural Activities and Gifts	Caritas report 2020	€ 1,391	€ 1,563
	2021 inflation (NSO website)- i.e. $1,391 * 1.5\%$	€ 21	
	2022 inflation (NSO website)- i.e. $(1,391 + 21) * 6.15\%$	€ 87	
	2023 inflation (European Commission website)- i.e. $(1,391 + 21 + 87) * 4.3\%$	€ 64	
Transport	Caritas report 2020	€ 980	€ 0
	Free transport scheme launched in Oct 2022	-€ 980	
Housing	Caritas report 2020 (no inflation applied)	€ 446	€ 446
Total			€ 15,185

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Augmented Minimum Essential Budget for a Four-Member Family to Live a Minimum Standard of Living in 2023

Item	Sources and Considerations	Amount	Total Cited in NAO Report
Minimum Essential Budget	NAO calculations for 'Minimum Essential Budget for a Four-Member Family to Lead a Minimum Standard of Living in 2023'	€ 15,185	€ 15,185
Housing	Housing cost removed due to rent	-€ 446	-€ 446
Rent	Caritas report 2020 (no inflation applied)	€ 9,600	€ 9,600
Eating out	Caritas report 2020 2021 inflation (NSO website)- i.e. 480 * 1.5% 2022 inflation (NSO website)- i.e. (480 + 7) * 6.15% 2023 inflation (European Commission website) - i.e. (480 + 7 + 30) * 4.3%	€ 480 € 7 € 30 € 22	€ 539
Private Car	Caritas report 2020 2021 inflation (NSO website)- i.e. (1,423/2) * 1.5% 2022 inflation (NSO website)- i.e. (1,423/2) + 11) * 6.15% 2023 inflation (European Commission website) - i.e. ((1,423/2) + 11+ 44) * 4.3%	€ 1,423 € 11 € 44 € 33	€ 1,511
Total			€ 26,389

NCSB received by a Four-Member Family in 2023		
NCSB	Rates	Total Cited in NAO Report
Social/ Unemployment Assistance	€121.08 *52	€ 6,296
Social Assistance	(€8.15*3) *52	€ 1,271
Special Bonus	€3.12 *52	€ 162
6 monthly Bonus	€135.10 * 2	€ 270
Children Allowance	(€24.08 *52)*2	€ 2,504
Supplementary Children Allowance	€160 * 2	€ 320
Energy Benefit	(€75 * 4) + €65 + €59 + €30	€ 454
Additional COLA		€ 1,200
Total Benefit Income		€ 12,478
LESS: Minimum Essential Budget for a Four-Member Family to Lead a Minimum Standard of Living in 2023		-€ 15,185
Running Balance		-€ 2,707
Sickness Allowance	€29.83 * 52	€ 1,551
Deficit		-€1,555

This deficit provides for the receipt of €1,500 in sickness allowance but does not factor-in additional costs (medical, logistical and social amongst others) which would generally need to be borne by a family who has a severely sick member. The added associated costs proved incalculable to NAO, but their occurrence in such a scenario is non-contestable. On the other hand, this deficit does not account for any other benefits 'in kind' which the individual could be receiving.

It must also be understood that this calculation is considering the absolute minimum budget which a family needs to lead a 'Minimum Standard of Living', which application could be argued against in the case of a severely sick individual. If the cost of rent is omitted from the augmented minimum budget (presented adjacent to the above calculation), thereby assuming that a severely sick individual will need to resort to housing options, and the cost of eating out (€539) and private car (€1,511) had to be taken into account, this deficit would raise to -€3,205 (sickness allowance included).

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Appendix D | Review of work-related case files

Case Ref.	Work Related Allegation	Inspection Details	Inspectors' Recommended Action	NAO Observations
1	Works in a supermarket after 4pm	Inspectors visited the indicated supermarket in the morning. Inspectors held a meeting with establishment's HR representative, with the latter stating that the investigated beneficiary did not work at the outlet. A written declaration to this effect was also provided.	Inspectors concluded that conducted investigation did not confirm allegation made against beneficiary.	NAO questions the validity of the conducted inspections as these were carried out in the morning while the allegation specifically cited that the individual was working at the indicated establishment from 4pm onwards.
2	Works in the plastering industry	Three inspections were carried out at beneficiary's residence. During final visit, inspectors observed plastering related material in beneficiary's vehicle. BCU communicated with Jobsplus, with the latter consequently holding an interview with the beneficiary. Through this it was established that investigated party works as a middleman and accepts works/ projects in plastering together with jobs related to moving and transportation.	BCU recommended that the respective benefits are stopped and that the process to recover overpayment should initiate.	N/A
3	Works in a hotel	Inspectors held meeting with establishment's general manager who confirmed that the investigated beneficiary was employed with the indicated hotel. This employment was also confirmed through correspondence with Jobs Plus, with the latter confirming that the beneficiary worked at a hotel for a period of time.	BCU recommended that the respective benefits are stopped and that the process to recover overpayment should initiate.	N/A

4	(a) Works in a bar from 4pm onwards	Inspectors visited the indicated establishment in the morning and found it closed. They proceeded to contact the bar's owner by phone who denied that the investigated individual worked at the establishment but indicated that beneficiary on occasions accompanied her father while the latter made deliveries to the same location.	Inspectors concluded the allegation of the beneficiary working at the indicated establishment could not be confirmed.	NAO questions the validity of the conducted inspections as these were carried out in the morning while the allegation specifically cited that the individual was working at the indicated establishment from 4pm onwards.
	(b) Works as a hairdresser	BCU visited beneficiary's registered address but investigated individual was not present. Inspectors proceeded to contact the latter by phone, who did not deny the posed allegations.	BCU recommended that the respective benefits are stopped and that the process to recover overpayment should initiate.	N/A
	(a) Is engaged in out-work (at home) for a toy manufacturing company	During one of the inspections carried out at the registered address, bags containing material relating to the alleged activity were found. The investigated beneficiary explained that it was not her that was engaged in this out work, but her daughter.	Inspectors concluded that conducted investigation did not confirm allegation made against beneficiary.	NAO questions why on this occasion, BCU did not confirm beneficiary's claim through SABS, as was done in the subsequent instance (reported upon immediately below).
5	(b) A repeated report that beneficiary is engaged in out-work (at home) for a toy manufacturing company	During an additional inspection carried out at the registered address, bags containing material relating to the alleged activity were once again found. The investigated beneficiary explained that it was not her that was engaged in this out work but, on this occasion, her son. BCU confirmed, through SABS, that beneficiary's son worked at the establishment from which out work originated.	Inspectors concluded that conducted investigation did not confirm allegation made against beneficiary.	N/A

	(a) Works in a carwash	<p>Inspection carried out at investigated beneficiary's residence. Beneficiary denied that he works at the indicated establishment but stated that he visits his friend who has a garage in the area. Beneficiary asserted that he never carried out any paid work as he cannot work due to health problems. Investigated beneficiary also presented a signed affidavit to this effect.</p>	<p>Inspectors concluded that conducted investigation did not confirm allegation made against beneficiary.</p>	<p>NAO questions why no further inspections were conducted, especially at the indicated work site rather than at the beneficiary's residence, to confirm or otherwise latter's statement.</p>
6	(b) works as a sprayer and Photos showing beneficiary washing a car	<p>An inspection was carried out at the indicated sprayer's garage whereby the owner of the establishment denied that the beneficiary works there. Another inspection was carried out at a later date, in which inspectors requested a written declaration that the beneficiary does not work there, which document was collected at a later date.</p> <p>Two visits were also carried out on different occasions in the street in which the beneficiary was alleged to be working by washing cars, however the beneficiary was not seen engaged in such activity on both occasions.</p>	<p>Inspectors concluded that the conducted investigation did not confirm allegation made against beneficiary.</p>	<p>N/A</p>
7	Works in construction	<p>Three unsuccessful inspections were carried out at registered address. Inspectors followed these with a phone call to the investigated beneficiary who denied that he is engaged in employment but confirmed that he no longer resides at the registered address and denied that he works in construction.</p>	<p>BCU recommended that the respective benefits are stopped as the beneficiary changed his residential address without notifying the Department, and that the process to recover overpayment should initiate.</p>	<p>This Office acknowledges that in this case, even though work related allegations were not comprehensively investigated, benefits were still stopped due to confirmation of another allegation.</p>

8	Works in lotto booths	Six inspections were carried out by BCU inspectors at the indicated lotto booths. Investigated party was not observed at these worksites in any of the inspections.	BCU recommended that the respective benefits are stopped as the beneficiary changed her residential address without notifying the Department, and that the process to recover overpayment should initiate.	NA
9	(a) Sells small packets of spices in a store	Inspection carried in indicated store, with owner asserted that the investigated beneficiary had exchanged a very small amount of spices for some goods three years prior. Inspectors conducted a further inspection at the residence of the investigated beneficiary. In this instance the latter showed to the inspectors the machine he used for spice packaging, which machine was visibly rusted out and no longer in an operational state.	Inspectors concluded the allegation of the beneficiary working could not be confirmed.	N/A
	(b) Lays membrane and sells puppies	Inspectors noted that beneficiary was residing in an old people's home and concluded that no inspection is required.	Inspectors concluded the allegation of the beneficiary working could not be confirmed.	NAO feels the fact that the beneficiary's registered address refers to an old people's home should not have precluded inspectors from investigating further, possibly by reviewing the individual's actual state of health and movements in and out of this home, while also inspecting the beneficiary's private residence for evidence relating to these allegations.

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<p>10</p>	<p>Working as a cleaner in private homes and shops</p>	<p>Inspection carried out in one of the indicated shops, but owner was not available. Owner was subsequently contacted by phone whereby he denied she works there. This was followed by a written declaration. Attempts to contact the investigated beneficiary were unsuccessful.</p>	<p>Benefits revised due to confirmation of another allegation not related to work. Investigations on allegation of work are not mentioned in the report.</p>	<p>While this Office feels acknowledges that benefits were revised in this case due to the confirmation of other allegations, further investigation to confirm, or otherwise, the work-related allegation was still warranted.</p>
<p>11</p>	<p>(a) Works in construction between 6am and 2.30pm</p>	<p>During inspection carried at registered address, inspectors spoke to beneficiary's spouse who stated that the investigated individual was not at home. Inspectors contacted the latter by phone who informed that that he was on his way to Gozo.</p>	<p>No action was required.</p>	<p>NAO deems that basing conclusions solely on what was stated by beneficiary is insufficient in terms of investigative effort.</p>
<p>11</p>	<p>(b) Repeated report that beneficiary works in construction leaves home 6am and has work vehicle parked adjacent to flat</p>	<p>Inspection carried at registered address, inspectors once again did not find beneficiary at the residence but spoke to spouse instead. Inspectors' once again contacted individual by phone who informed them that he was at a friend's farm and does no longer work in construction due to leg injury.</p>	<p>No action was required.</p>	<p>NAO deems that basing conclusions solely on what was stated by beneficiary is insufficient in terms of investigative effort.</p>

<p>11 cont.</p>	<p>(c) Yet another report that beneficiary works in construction leaves home 6am and has work vehicle parked adjacent to flat</p>	<p>Two inspections were carried out on this occasion, with the inspectors noticing the mentioned vehicle parked at the indicated residence on the first inspection. Inspectors resorted to observe vehicle for some time to determine whether this will be used in that morning by investigated individual, but this resulted in the negative. Inspectors' conducted the second inspection the following day in which they made contact with the beneficiary. Enquiring about the mentioned vehicle, inspectors learnt that this belonged to the individual's employer. The latter was also contacted and did not deny this declaration.</p>	<p>BCU recommended that the respective benefits are stopped and that the process to recover overpayment should initiate.</p>	<p>NAO does not have adverse comments on this last inspection, but it does not understand how more investigative effort was not undertaken when previous reports were lodged.</p>
<p>12</p>	<p>Beneficiary is working (no details given)</p>	<p>No inspection with respect to work was carried out.</p>	<p>Benefit rates revised due to investigations on other, non-work related, allegations.</p>	<p>This Office feels that an investigation to confirm, or otherwise, the work-related allegation was still warranted as, if confirmed, benefits would need to stop all together rather than be revised.</p>
<p>13</p>	<p>Renting apartments and repairs gaming consoles</p>	<p>Inspection carried out at registered address. Inspectors observed multiple gaming consoles at the residence, but beneficiary stated that those were for personal use. With respect to the renting of apartments, beneficiary denied allegation and stated that the apartment he lives in was given to him as a gift by his father.</p>	<p>No action was required.</p>	<p>NAO deems those basing conclusions solely on what was stated by beneficiary is insufficient in terms of investigative effort, especially as multiple gaming consoles were indeed observed at the residence.</p>

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<p>14</p>	<p>Working with a real estate agent</p>	<p>During an inspection at the beneficiary's registered address, beefier stated that she is engaged as a trainee with a real estate agent and therefore not receiving any remuneration. Employer of indicated agency was also contacted, with the latter confirming that the beneficiary works with the agency as a trainee, and therefore does not receive payment.</p>	<p>No action was required.</p>	<p>NAO deems those basing conclusions solely on the beneficiary's and employers' assertion was not sufficient in terms of investigative effort.</p>
<p>15</p>	<p>(a) Works in a greengrocer</p>	<p>2 Inspections were carried out at the indicated work site but beneficiary not found. Owner confirmed that beneficiary does not work there.</p>	<p>No action was required.</p>	<p>N/A</p>
<p>15</p>	<p>(b) Works as a property broker 2021</p>	<p>2 inspections were carried out at the registered address, but no one answered. Inspectors contacted beneficiary by phone who confirmed that he is not engaged in the alleged activity but is current involved in a court case about a family property. On the same day inspectors received correspondence from his lawyer confirming the case.</p>	<p>No action was required.</p>	<p>N/A</p>

16	Works in a bakery	<p>An inspection was carried out at the bakery in which the beneficiary was not spotted in the establishment. Inspectors spoke with the manager of the bakery who denied that the beneficiary works there. A written declaration was also requested from the bakery manager, which was not received. Inspectors contacted the beneficiary to confirm whether she works at the bakery or in the pastry shop which was categorically denied.</p>	No action was required.	N/A
17	Works as a hairdresser	<p>Inspectors made successful contact with beneficiary who admitted the allegation of working in a hairdresser. She also highlighted that the Department had been informed of her employment.</p>	BCU found that beneficiary does not receive NCSB which are affected by employment. Other benefits were revised due to confirmation of another allegation un-related to work.	N/A

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2022-2023 (to date) Reports issued by NAO

NAO Annual Report and Financial Statements

July 2022 National Audit Office Annual Report and Financial Statements 2021

NAO Audit Reports

May 2022 Performance Audit: Assisting Individuals with Dementia and their Caregivers within the Community

May 2022 Joint Report on Management of Plastic Waste in Europe

May 2022 Ministry for Finance and Employment: An Analysis on Revenue Collection Financial Year 2020

June 2022 An evaluation of performance audits in the public sector: Common audit findings (2017 – 2020)

June 2022 Follow-up Audits Report by the National Audit Office Volume I 2022

July 2022 Performance Audit: Procuring the Public Transportation Service

October 2022 Performance Audit: The COVID-19 pandemic- Business continuity within the public administration

October 2022 Performance Audit: A Follow-up on the 2018 Strategic Overview of Mount Carmel Hospital

November 2022 Follow-up Audits Report by the National Audit Office Volume II 2022

November 2022 Report by the Auditor General on the workings of Local Government for the year 2021

November 2022 Performance Audit: Care for the Elderly in Gozo

December 2022 Information Technology Audit: Online Malta Census of Population and Housing 2021

December 2022 Report by the Auditor General on the Public Accounts 2021

February 2023 IT Audit: Active Ageing and Community Care – Ministry for Active Ageing

April 2023 Performance Audit: An assessment of capital projects at the University of Malta