



Work and Activities

of the

National Audit Office



2005

Table of Contents

Legal Framework of NAO	5
Legislative Provisions relating to Independence of Auditor General	5
NAO's Effective Independence from Auditees	6
Types of Audit	6
Financial and Compliance Audit	6
<i>Audit of Local Government</i>	7
<i>Audit of Non-Central Government Organisations</i>	7
<i>Mid-Year and Annual Audit Reports</i>	7
<i>EU-Related Audits</i>	8
<i>Accrual Accounting</i>	8
Value for Money Audit	8
Special Audits	9
Parliamentary and Media Coverage	9
Relations with Parliament	10
Public Accounts Committee	10
National Audit Office Accounts Committee	10
Audit Manuals and Guidelines	10
Code of Professional Conduct	11
Organisation Structure	11
Clients of NAO	11
Human Resources	11
Staff Recruitment and Mobility	11
Revision of Collective Agreement	13
Introduction of Palm Reader	13
Engagement of Consultants	13
Library	14

Staff Qualifications	14
Training	14
<i>Local Seminars and other Locally Organised Training Events</i>	14
<i>Local Sponsorships:</i>	15
<i>Certified Information Systems Auditor (CISA) Course</i>	16
<i>Overseas Training</i>	16
International Relations	17
Overseas Events 2005	17
EU Contact Committee	17
EUROCONTROL Audit Board	26
Presentation of Guidelines on Audit Quality to ECA Members	26
AGIS Study on Anti Corruption Systems within Competencies of SAls of Europe	27
Workshop on the Audit of Public Sector Financial Statements	27
NAO Meetings for Local Councillors	27
Meeting with Journalists' Representatives	28
Information and Communications Technology	28
ICT Support to Staff	28
Operations Review	28
Printing of Reports	29
Conclusion	29

Work and Activities of the National Audit Office - 2005

Legal Framework of NAO

The legal framework of the NAO is based on Section 108 of the Constitution of Malta and on the Auditor General and National Audit Office Act, 1997 (NAO Act).

The Acts may be found on the NAO Website: <http://www.nao.gov.mt>.

Legislative Provisions relating to Independence of Auditor General

The Auditor General and the National Audit Office staff are functionally independent from the auditee. The relevant provisions in Section 108 of the Constitution and the Auditor General and National Audit Office Act of 1997 ensure that this independence is guaranteed.

The appointment of the Auditor General by the President of Malta, made in accordance with a resolution of House of

Representatives supported by not less than two-thirds of all members of the House, ensures that the Head of the NAO enjoys the confidence of all the political parties represented in the Parliament.

The Auditor General may only be removed by the President upon address from the House of Representatives supported by not less than two-thirds of all members of the House and may only be removed for a valid reason (such as infirmity of mind or incapacity to continue acting as Auditor General).

The Auditor General is an officer of the House of Representatives.

Besides all the departments and offices of the Government of Malta, the Auditor General is also empowered to audit public authorities or other bodies administering, holding, or using funds belonging directly or indirectly to the Government of Malta.



*General view of the
National Audit Office*

The Mid-Year and Annual Audit Reports, and other (Value for Money, Investigative, Special) audit reports, are submitted to the Speaker of the House of Representatives. This ensures that the reports are presented to the Parliament and are therefore reported upon to the public in general.

The Auditor General, his Deputy and other persons so authorised by the Auditor General have access to all books, records, returns and other documents relating to those accounts. This is particularly important to ensure that no information is held back by the auditee. This legal provision is further enforced through other provisions in the Act. One such provision states that the Auditor General shall annually report to the House of Representatives on whether in carrying out his work he received all the information and explanations he required. Another such provision states that in the event of any unusual or unsatisfactory reply to a query or observation by the NAO, the Auditor General shall report the circumstances to the Minister responsible for the government department, office, or body subject to his audit.

The most explicit legislative provision that ensures full independence of the Auditor General from the auditee is the one that stipulates that in the proper exercise of his functions, the Auditor General is not subject to the authority or control of any person. This consolidates the full independence of the Auditor General and his Office from the auditee.

Legislative provisions regarding independence of the NAO from the auditee are therefore fully in place in both Section 108 of the Constitution as well as the Auditor General and National Audit Office Act.

NAO's Effective Independence from Auditees

In practice, the legislative provisions relating to independence are adhered to by the auditee. Although disputes may occasionally arise regarding some provision in an Act on the rights of the NAO to audit certain entities or issues, such disputes are

discussed between the auditee and the Auditor General or his delegate and settled amicably, occasionally following legal advice by the Auditor General and/or auditee.

Whereas the NAO is fully independent from Government and other auditees, the Minister responsible for finance and the Public Accounts Committee (in terms of NAO legislation), and the Minister of Local Government (in terms of Local Government legislation) may request the Auditor General to undertake a special enquiry or investigation on their behalf. This intervention is not regarded as limiting the independence of the NAO as the Office is not in any way influenced on the way the audit or investigation is to be carried out. The Auditor General accepts such requests for enquiry so long as they fall within the mandate of his Office.

Types of Audit

The National Audit Office focuses its work on three distinct categories of audit, namely:

- Financial and Compliance Audit
- Performance Audit
- Special Audit

Financial and Compliance Audit

Financial and Compliance Audits of public funds constitute the core and mandatory work of the NAO. These aim at ensuring that the Government Financial Report, including the financial statements of Ministries and Departments, properly present the financial transactions and position of Government, that transactions comply with financial rules and regulations, that proper internal controls are in place, and that Government resources are being properly safeguarded.

Financial and Compliance Audits provide independent assurance that the Treasury, government departments and other bodies properly account for the money that Parliament has approved and that such

moneys have been spent as Parliament intended. The audits incorporate both an in-depth review of the Government Financial Report, as well as audits of the individual government departments, cost centres and other public entities.

Audits are also conducted on government-wide issues of a common nature, or issues of general interest. These include, *inter alia*, such fields as Arrears of Revenue due to Government, Travel Expenses of Officers travelling abroad, and Public Debt.

During Financial and Compliance Audits, reliance is placed on the internal controls and their effectiveness in the daily operations of the entity audited. These are tested via walk-through tests based on a risk and materiality assessment of the entity as a whole. A balance of reliance on such controls and substantive testing is achieved and determined at the planning stage. It is based on the knowledge of the entity and its environment.

Audit of Local Government

Audit of Local Government is also included within the mandate of the NAO as amplified and described in the legislation regulating Local Government. The Office outsources audit tasks relating to Local Government. In terms of Local Government legislation, such audit tasks are contracted out to private sector auditors. These auditors are engaged by the Auditor General to conduct yearly Financial and Compliance Audits.

The role of the Auditor General is twofold. The first is an administrative role concerned with the appointment and remuneration of the private sector auditors, known as Local Government Auditors. The second role is a technical one, which is intended to lend support to auditors and to ensure that their observations and recommendations are given due consideration and attention by the authorities concerned.

Audits on individual Local Councils are reported upon by the private sector auditors

within three months following the end of a financial year (ending 31 March). These reports are presented to the Auditor General, who presents them to the Minister of Local Government and to the respective Councils. The Minister then lays the reports on the Table of the House of Representatives. The Auditor General consolidates the most serious shortcomings and irregularities identified in these reports into one report, which is then also incorporated into the Annual Audit Report on Public Accounts.

Audit of Non-Central Government Organisations

Each year the Office carries out Financial and Compliance Audits of a number of Public Authorities and Corporations, other Public Entities and Non-Government Organisations benefiting from any Government assistance or subsidies. These entities may be foundations, agencies, private or church entities, voluntary organizations and philanthropic societies.

The main purpose of such audits is to ensure that public funds transferred or donated by Government are used for the specific purpose for which these funds are handed out to the various organisations. The criteria and scope of audit depends to a great extent upon the amounts of subvention or subsidy involved.

Reports on these audits are incorporated into the Mid-Year and Annual Audit Report on the Public Accounts.

During 2005, the NAO also submitted its own comments and proposals on the White Paper relating to NGO's.

Mid-Year and Annual Audit Reports

Audits are reported upon in the Mid-Year and Annual Audit Reports on the Public Accounts following the end of a financial year (ending 31 December) being reported upon. These reports are presented to the Speaker of the House of Representatives

who in turn lays them on the Table of the House of Representatives on the next sitting of the House after receipt thereof by him.

A Mid-Year Audit Report was issued for the first time in July 2005. This Report covered audits carried out during 2005 up to June in respect of the financial statements of Departments and other Entities for financial year ending 31 December 2004.

The motivation behind this report was to bring to the fore current issues which had been subjected to NAO's review. This report helped bridge the time gap between the completion of audits carried out during the first half of the year and the reporting time thereof to the Parliament.

EU-Related Audits

Malta's pre-accession preparations and membership within the European Union in May 2004 have brought obligations on the Administration of ensuring that EU funds transferred to/from Malta are being properly controlled and accounted for. A number of EU-related audits have been conducted during 2005. These include the following audits, which were included in the Mid-Year Audit Report:

- [Social Security Department](#) – Old Age Pensions within the European Union Scenario
- [Ministry for Rural Affairs and the Environment](#) – Agriculture Support Scheme Account

Accrual Accounting

This Office continues to be represented on the Accrual Accounting Task Force (which falls under the responsibility of the Ministry responsible for finance) in an "observer" capacity. The Office provides, through its representative, its opinion and feedback on the various initiatives undertaken by the Task Force for the eventual introduction of accruals accounting in Government Financial Reporting.

Value for Money Audit

Value for Money Audits are intended to address the economy, efficiency and effectiveness of programmes and operations of Ministries, Departments or other public entities. The NAO seeks to help promote accountability, propriety and best practices in government operations through its VFM work. The NAO's approach to this type of audit is interdisciplinary and based on team work.

A VFM Audit begins with the formulation of an audit plan to address a particular aspect of the economy, efficiency and effectiveness of a government-related activity. The audit work may involve techniques such as interviews, surveys and review of documents and performance gap measurement. Results are documented and a report is prepared and communicated to the auditee for comments. The findings in the report are discussed by the audit team with the auditee through an exit conference. A final report is then issued and published and subsequently presented to Parliament.

Over the past few years, the following VFM Audit reports have been published and presented to Parliament:

- Internal Audit within Government Ministries
- VAT Department Inspectorate Unit
- Primary Health Care – The General Practitioner Function within Health Centres
- Museums Department – Promoting Heritage Sites
- Department of Consumer Affairs
- Government Transport
- Countryside Section – Environment Protection Department
- Licensing and Testing Department
- Education Division – School Transport System

- Education Division – School Information System
- Preventing and Dealing with Pollution from Ships at Sea and in Ports
- Managing Procurement – Road Construction and Restoration Contracts
- Acquisition of Property by Government
- Inventory Strategy and Distribution of Pharmaceutical Products

Special Audits

Special Audits are audits or investigations which may be of a financial or value for money nature. As stipulated in the Auditor General and National Audit Office Act, these audits may be carried out on the initiative of the Auditor General, at the request of at least three members of the Public Accounts Committee or at the request of the Minister responsible for finance. These Special Audits relate to revenue, expenditure and resources belonging directly or indirectly to Government, as well



Performance Audit Reports published by NAO

- Quality of Life for the Elderly at St. Vincent de Paul Residence
- Improving the Management of Roads Project

In VFM Audit Reports NAO may put forward recommendations which (a) add value (quantifying value added elements), (b) achieve sustainable improvements in public services, (d) achieve financial impact (in terms of time, delivery method, achieve more for less), (e) promote accountability, (f) explore alternatives, (g) take into account whole life cycles. The NAO may also comment on whether outcome really translates declared policy and evaluate what may have gone wrong.

as activities, programmes or initiatives that relate to Government.

Investigations may also be carried out in terms of the Local Councils (Financial) Regulations. In this case, the request would be made by the Minister responsible for Local Government. Relative report is submitted simultaneously to both the Local Government Minister and to the Speaker of the House of Representatives.

Parliamentary and Media Coverage

All NAO reports referred to above are submitted to the Speaker of the House of Representatives who shall lay each such report on the Table of the House. These

reports may be taken up and examined by the Public Accounts Committee.

Interest of the media varies according to the audit subject matter. The media usually takes up a report on its publication. News reports on TV and radio feature the publications of NAO reports. The media also reports on proceedings of the PAC meetings as journalists are present during these meetings.

Relations with Parliament

The NAO principally interacts with two Parliamentary Committees – the Public Accounts Committee and the National Audit Office Accounts Committee.

Public Accounts Committee

The Public Accounts Committee consists of not more than seven members, four from the Government side and three from the Opposition side. The Chairman of the Committee is nominated by the Leader of the Opposition after consultation with the Leader of the House of Representatives. The main roles of the Committee are to scrutinise and assess the financial administration of the public sector and to promote improvements, to encourage the economic, efficient and effective utilisation of public sector resources and to enhance the accountability of the executive government to Parliament and the public.

The Public Accounts Committee helps to ensure that findings of the NAO are given due attention. It normally meets once every two weeks when Parliament is in session. Most of the meetings are focused on issues raised in the Annual Report by the Auditor General or Performance/Value for Money Audit reports.

The Auditor General submits his annual Audit Report, as well as the other reports, to the Speaker of the House of Representatives. Reports may be taken up by the Public Accounts Committee, which is empowered to examine the Reports and discuss their contents. The Committee,

through at least three of its members, may also request the Auditor General to carry out investigations and other enquiries relating to matters within his mandate. The Committee is also empowered to take evidence from senior officials of ministries and departments or other government related bodies. Moreover the PAC can also review the activities of non-central government organisations which are required to present their accounts to Parliament.

During the current legislature, the PAC held 26 Sittings, 10 of which were held during 2005.

National Audit Office Accounts Committee

The National Audit Office Accounts Committee is composed of the Chairman of the Public Accounts Committee, the Leader of the House of Representatives, two members from the Government side and one from the Opposition. The Committee elects the Chairman from amongst its members. The Committee meets at least once a year and presents to the House of Representatives a report of its activities and the report of its examination of any estimates prepared by the Auditor General. The accounts of the NAO, which are on an accrual basis, are also audited by certified private sector auditors appointed by the Committee. The private sector auditors present their audit report to the Committee which then submits the report to the House of Representatives together with any comment thereon by the said Committee.

During 2005 the Committee met on Wednesday, 12 January to examine the Audited Accounts for financial year ending 31 December 2003; the Work and Activities of the NAO Report for 2004; and the NAO Estimates for 2005.

Audit Manuals and Guidelines

The NAO's "*Comprehensive Audit Manual*" is used as a guideline. This Manual

includes Chapters on the NAO's Organisation, Legal Basis and Policy, Types of Audits carried out, NAO Auditing Standards, Planning, Conducting and Reporting Processes of Audits, Audit Tools and Techniques, as well as reference to other Manuals and Guidelines relating to Specific Subject Areas. Moreover, in all its work, NAO audit examiners follow the INTOSAI Auditing and other International Standards as guidelines for their audit work.

Reference to other internal and foreign manuals and guidelines is made by both the Financial and Compliance and Value for Money Audit Sections.

Code of Professional Conduct

The NAO follows its own Code of Professional Conduct to encourage and ensure a professional work environment. The Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors and other employees. It also outlines the philosophy, principles and rules regarding ethical and professional conduct within the Office and may be further supplemented by Office Orders dealing with specific issues in greater detail.

In terms of NAO policy, all NAO employees are required to sign Declarations relating to NAO's "*Code of Professional Conduct*", "*Information Technology and Security Policy*" and "*Confidentiality*".

Organisation Structure

The audit structure of the National Audit Office is divided into two Sections. One Section is responsible for financial and compliance audits and is headed by an Assistant Auditor General.

This Section includes four (4) Audit Units, each headed by an Audit Manager. Three Units have a portfolio of a number of Ministries and Departments. One of these Units is also responsible for the audit of Local Government and other Public Bodies. The fourth Unit is responsible for investigative and special audits.

The other Section, also headed by an Assistant Auditor General, is responsible for Performance/Value for Money audits.

The Audit Units are manned by officers of different grades which were introduced in 1999. These range from Audit Manager to Principal Auditor, Senior Auditor, Assistant Auditor, Audit Technician and Audit Clerk .

The Organisation Structure of the NAO as on 31 December 2005 as shown in Diagram 1 reflects the division of duties in terms of the statutory audit of Financial and Compliance Audits and Special Audits, and other legislative provisions relating to Value for Money Audits.

Other Units and functions fall under the Support Services Section and are headed by Managers who are responsible for NAO policy, Finance and Administration, Human Resources, Training, Information and Communications Technology and International Relations.

The Staff Position as on 31 December 2005 is revealed in Table 1.

Clients of NAO

The type and potential number of Clients (Auditees) of the NAO are shown in Table 2.

Human Resources

During 2005, the NAO continued with the recruitment process with the aim of employing professionally qualified and suitably experienced staff to replace others that would have retired or resigned, and to fill in vacancies. Calls for internal and external applications were issued in the grades of Principal Auditor and Senior Auditor.

Staff Recruitment and Mobility

The Auditor General recruits employees with the necessary qualifications for a state audit institution. Competitive salaries and conditions of work are offered. These factors ensure that employees with the right qualifications, experience and aptitude are

Diagram 1: Organisation Structure

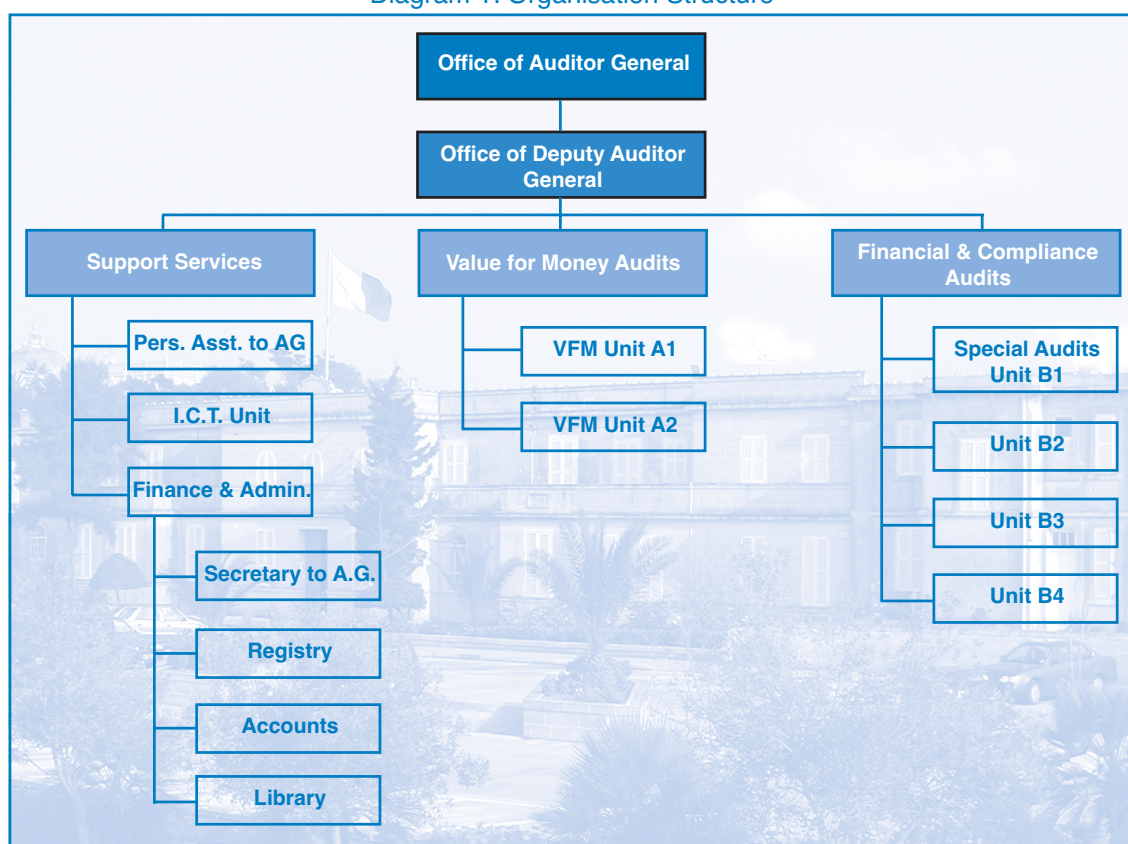


Table 1: Staff Position as on 31 December 2005

Grade Description	In Post	Male	Female
Senior Management			
Assistant Auditor General	2	2	-
Support Services			
Manager	3	3	-
Senior Principal	2	1	1
Principal	1	1	-
Assistant Principal	1	1	-
Senior Executive	2	1	1
Executive	1	-	1
Clerks	1	-	1
Receptionist	1	-	1
Minor Staff	6	5	1
Auditing Grades			
Manager	6	4	2
Principal Auditor	12	6	6
Senior Auditor	9	7	2
Assistant Auditor	11	3	8
Audit Technician	-	-	-
Audit Clerk	3	1	2
Total	61	35	26

Table 2: NAO Clients

Clients	2005
1. Clients by Vote¹:	46
Very Large	8
Large	5
Medium	13
Small	20
2. Clients by Ministry	14
3. Clients by Cost Centre	155
4. Entities/Other (Non-Central Govt.)²	20
Very Large	-
Large	1
Medium	2
Small	17

recruited and that audit work performed is of a high professional standard.

Whenever a vacancy arises, an internal call for applications is addressed to NAO employees who hold the required qualifications and experience. Should a post remain vacant, an external call for applications is then made. Adverts are published stipulating the qualifications and experience required.

All grades from Senior Auditor upwards require University qualifications in accountancy and/or other tertiary qualifications compatible to the post being applied for.

A selection board is appointed by the Auditor General to process applications. The

¹ Very Large: ≥1000 employees; Large:300 to <1000 employees; Medium:101 to <300 employees; Small:≤100employees

² The figures in Table 2 represent the approximate number of entities audited by the NAO on a yearly basis. Public Enterprises and other entities, such as companies with government shareholding and public authorities, are audited by private sector auditors in accordance with International Financial Reporting Standards and comply with the provisions of the Companies Act legislation and/or Acts setting up public authorities/corporations.

board, which is chaired by a consultant in Human Resource Management, has two senior Managers as members.

Selection in both internal and external calls for applications is made through an interviewing process and is based upon criteria relating to qualifications, experience, personal attributes and aptitude.

New recruits are initially employed on a three-year contact, starting with a probationary period of six months. Before the lapse of one year following the commencement of the second three-year contract, the Auditor General may, upon being satisfied that the employee has consistently performed work satisfactorily, grant employment on an indefinite basis.

During 2005 an Audit Manager within the Financial and Compliance Audit Unit retired on reaching pensionable age. One Principal Auditor and one Senior Auditor resigned their position with the NAO. One Senior Auditor was appointed following an internal call for application for the post in question.

Revision of Collective Agreement

A new collective Agreement for the period 2005 to 2007 was signed on 14 March 2005. The Agreement reflects the new provisions of the Employment and Industrial Relations Act and introduces for the first time concepts such as home-working and flexible hours.

Introduction of Palm Reader

In 2005 the National Audit Office installed a biometric palm reader to replace the old manual system for recording employees' attendance. With the introduction of the palm reader all employees are required to 'clock in' or 'clock out' at the start or close of the day and whenever they leave or return to the office.

Engagement of Consultants

Although the NAO possesses its own resources to carry out training and audit assignments, there are instances when the

need arises for the engagement of services of consultants in particular fields of expertise.

During 2004 the NAO engaged the services of the following consultants:

Legal Advisor: The NAO engages the services of a legal advisor on a retainer basis to provide advice.

Other Consultants: One consultant was assigned the task of reviewing the audits carried out by Local Government Auditors and provided assistance in Special Audits. Other consultants were engaged in connection with Value for Money Audits and Investigations. These were contracted as and when required on an 'ad hoc' basis. An Industrial Relations consultant was also engaged in matters concerning conditions of employment and in negotiating the new Collective Agreement. He was also appointed as Chairman of the Interviewing Board for the filling of vacancies.

Library

The NAO continued to update its library to serve as a reference and central depository equipped with manuals, recent SAI reports and other mainly auditing and accounting literature necessary to assist audit staff and keep them updated in their work. Of particular relevance are Value for Money/Performance and Financial and Compliance Audit Reports issued by other SAIs, as well as standards and guidelines produced by INTOSAI and IFAC.

Staff Qualifications

The NAO is proud to have within its ranks a number of professionally qualified employees. This can be gauged from the range of specialities currently on its books as on 31 December 2005, as depicted in Table 3.

Training

The National Audit Office invests heavily in training. Newly recruited employees are

Table 3: Staff Qualifications

Degree in Accountancy or holders of CPA or holders of the Certificate to practice auditing	20
Masters in Business Administration	3
Masters of Science in Management	1
BA (Hons) in Administration	1
Bachelor of Science (Hons) in Statistics & Operational Research	1
Bachelor of Commerce (Hons) in Management	1
Bachelor of Commerce in Public and Private Sector Management	1
Certificate in Information Systems Audits	5
Diploma in Business Studies	5
Diploma in Management	6
Diploma in Computer Studies	1
Diploma in Secretarial Studies	1

given on-the-job training by senior NAO officials, while experienced employees are encouraged to follow University Degree or Diploma courses on a part-time basis after office hours. Others are sponsored by the NAO to follow courses of training abroad.

NAO employees are also encouraged to attend local Conferences and Seminars organised by the Malta Institute of Accountants and other professional bodies.

Local Seminars and other Locally Organised Training Events

A number of NAO employees attended the following seminars and training courses:

- Economics Course – organised jointly by the NAO and the University of Malta
- Risk Management Guidelines - organised by Malta Institute of Accountants (MIA)
- International Financial Reporting Standards (IFRS): A Moving Target – organised by MIA

- Preparing Business Plans – organised by MIA
- Audit Requirements in the Maltese Regulatory Framework – organised by MIA
- Ethics and Independence Workshop: An Auditor's Perspective – organised by MIA
- Update on IFRS – organised by MIA
- Engagements to Report on Original Subscriptions and Subsequent Issues of Shares for Non-Cash Consideration – organised by MIA
- 10th Anniversary Seminar – organised by the Malta Institute of Taxation (MIT)
- The Business Promotion Act – organised by Malta Institute of Management (MIM)
- Euro-Tax – organised by MIT
- Research Methods and Business Services – organised by National Statistics Office (NSO)
- Information Management – organised by NSO
- Presentation Skills – organised by Staff Development Organisation (SDO) of the OPM
- HTML/Front Page 2000 – organised by SDO
- Secretarial Skills and Personal Assistant Skills Programme – organised by SDO
- Office Management Skills – organised by SDO
- Holding Effective Meetings – organised by SDO
- Governance, Finance and Procurement – organised by SDO
- Effective Time Management – organised by SDO
- Towards Enhanced Customer Relations – organised by SDO
- MS Powerpoint XP – organised by SDO
- MS Excel XP Function – organised by SDO
- Executive Secretary – organised by SDO
- Managing Physical and Electronic Documents in Government – organised by Philip Toledo Ltd
- Public Private Partnership: Getting Down to Business – organised by the Ministry of Finance
- Tendering in the Public Sector – organised by the Malta Enterprise
- European Union Funds for Cultural Projects – organised by the Ministry of Tourism and Culture
- Enhancing Efficiency through Records Management and Digitisation in Archives – organised by the National Archives of Malta
- The 9th Word Continuous Reporting and Auditing Conference – organised by the Malta University Services
- TAIEX Information Seminar in EU – organised by the Malta Business Bureau
- Tourism and Maritime Heritage – organised by Heritage Malta
- Internal Market Rights and Administrative Co-operation – organised by the Malta Commerce Division
- Information Systems Audit and Control Association (ISACA) Malta Chapter

Local Sponsorships:

Employees are sponsored to undertake part-time courses leading to a University degree or professional qualification. The sponsorships include:

ACCA (through Malta Institute of Accountants) – two (2) employees are currently following a five year course leading to ACCA.

Masters in Business Administration – one (1) employee is reading for an Executive MBA at the University of Malta.

During the year, one employee attained the U.K. National Computer International Higher Diploma, one obtained an Executive MBA at the University of Malta and two (2) others obtained the ACCA certification. Four other members obtained the Diploma in Management .

Certified Information Systems Auditor (CISA) Course

In anticipation of the re-organisation of the ICT Unit and the IT Audit function it was also decided to train staff in Information Systems auditing. Earlier in the year five members of the staff were sponsored to attend training which would lead to certification as Information Systems Auditors by ISACA.

ISACA is a pace-setting global organisation for information governance, control, security and audit professionals. Its IS auditing and IS control standards are

followed by practitioners worldwide. ISACA's Certified Information Systems Auditor (CISA) certification is recognised globally and has been earned by more than 40,000 professionals since inception. Today CISA is recognised worldwide, by all industries, as the preferred designation for IS audit, control and security professionals.

All five candidates were successful in the examination and have been awarded the CISA certification in December 2005.

Overseas Training

Two Weeks Training with the U.K. National Audit Office: In 2005 an Audit Manager from the Financial and Compliance Audit Section attended an International Training course with the U.K. National Audit Office. Six officers have attended this course since its inauguration in 1993. The course covers both Financial and Compliance and Value for Money auditing.

Five Months Training with the European Court of Auditors (ECA): A Senior Auditor



The five Certified Information Systems Auditors (from l to r: P.A. Aquilina, M. Camilleri, K. Massa, K. Baron, S. Borg)

from the Performance Audit Section was selected by the ECA to follow a five-month internship with the ECA. The internship covered the period 1 October 2004 to 28 February 2005. The objectives of the internship were for the interns to take active participation in the working methodologies of the ECA.

International Relations

NAO actively participates in the international sphere and significantly involves itself in international activities. It regularly contributes by submitting country papers and comments on international reports, articles, questionnaires and other studies related mainly to public sector auditing carried out by the International Organisation of Supreme Audit Institutions (INTOSAI), the European Organisation of Supreme Audit Institutions (EUROSAI) or individual Supreme Audit Institutions (SAIs), including the network of EU MS SAIs and other international organisations.

During 2005, articles, papers or feedback was provided on the following themes:

- Communication and Publicising of Role of Auditing Results by EU SAIs
- Training Strategy of SAIs
- History, Organisation and Activities of the NAO
- Code of Professional Conduct
- Use of Classified Information by SAIs
- Articles on Audit Quality for INTOSAI AND EUROSAI Journals
- Role of SAIs in Anti-Corruption Systems within the Competencies of the SAIs of Europe
- Audit of Public Sector Financial Statements
- EU Directive 2003/98/EC on the Re-Use of Public Sector Information

A senior employee acts as a EUROSAI joint sub-coordinator of SAIs from the

Mediterranean Region on Environmental Audit.

Another senior officer participates in the Liaison Officers' Meetings of EU Member States and is co-jointly responsible for activities relating to Audit Quality.

An Assistant Auditor General is a member of the Eurocontrol Audit Board for the audit of Eurocontrol budgets and accounts.

Overseas Events 2005

Table 4 provides an overview of all events relating to overseas travel, including events held in Malta with the participation of foreign participants.

EU Contact Committee

The Contact Committee (CC) is an assembly of the Heads of the Supreme Audit Institutions in the EU Member States and of the ECA. It is autonomous, independent and non-political. The CC fosters the exchange of professional knowledge and experiences on the audit of EU funds and other EU-related issues. In order to contribute to the improvement of EU financial management and good governance, it provides mutual support and initiates and co-ordinates common activities in the EU field. The CC promotes and exchanges information with interested others. The mission of the CC is to enhance co-operation among its members in order to improve external audit and accountability in the EU field.

During 2005, two Liaison Officers' Meetings were held in May and October in Krakow (Poland) and Luxembourg respectively. The Contact Committee Meeting was held in Stockholm (Sweden) in December. During this Meeting, Reports and Resolutions were made on a number of themes that largely resulted from work carried out by a number of Working Groups in which Liaison Officers and/or other experts in respective fields participated. These themes were also

Table 4: Overseas Events

Date	Event	Location	Description
Oct 1, 2004 to Feb 28, 2005	ECA Internship	Luxembourg	An NAO official undertook a five-month Internship at the ECA. He carried out duties relating to Structural Funds during the period in question.
Jan to Dec (several Meetings)	EUROCONTROL Audit Board	Brussels, Athens, Malta	Board Meeting Attendance by a senior NAO official in the certification process of Eurocontrol Agency and Air Route Charges. One of the Meetings was held at the NAO (Malta)
Jan 11	GRECO ³ Second Evaluation Round Meeting	Malta	A GRECO Evaluation Team (GET) visited Malta from the 10 to 14 January 2005 The GET met several officials from a number of government-related organizations, including the NAO. The purpose of the visit was to evaluate the effectiveness of measures adopted by the Maltese authorities in order to comply with certain requirements relating to measures against Corruption, involving Proceeds of Corruption, Public Administration and Legal Persons.
Feb 14-15	EUROSAI IT Working Group	Nicosia (Cyprus)	An NAO senior official attended the Meeting, which related to IT Self-Assessments being carried out between a number of EUROSAI Members.
Feb 23	SIGMA ⁴ (o.b.o. OLAF ⁵) Experts visit on fight against fraud	Malta	A SIGMA delegation, on behalf of OLAF, visited a number of institutions in Malta, including the NAO, to discuss and review local systems relating to the fight against fraud and corruption.
April 7 - 8	Meeting of the Liaison Officers of EU Candidate Countries	Sofia (Bulgaria)	A senior NAO official was invited to give a presentation on the "Audit Quality Guidelines" that were finalised by the NAO (Malta) together with the SAIs of Hungary and Poland during the previous year.

³ GRECO (Group of Countries Against Corruption) was set up by a Resolution of the Committee of Ministers of the Council of Europe on 5 May 1998. GRECO evaluates, through a dynamic process of peer pressure, the compliance with undertakings contained in the legal instruments of the Council of Europe to fighting against corruption.

⁴ SIGMA – Support for Improvement in Governance and Management in central and eastern European countries – is a joint initiative of the OECD and the EU created in 1992.

⁵ OLAF – European Commission Anti-Fraud Agency

Date	Event	Location	Description
April 18-22	18 th UN-INTOSAI Seminar on Electronic Governance	Vienna (Austria)	A senior NAO official and one other officer attended the Seminar. The theme of the seminar was the "Application of Information and Communications Technologies (ICT) in the Audit of E-Government: a Strategy for Efficiency, Transparency and Accountability"
April 27-28	EU SAIs Working Group Meeting on EU Financial Management Reporting	The Hague (Holland)	The Meeting was attended by two senior NAO officials. The purpose of the Meeting was to enhance cooperation amongst participating SAIs with the aim of providing general guidelines on SAI reports relating to EU financial management.
May 12-13	Study Visit by two senior officials from the State Audit Office of Hungary	Malta	Senior NAO officials discussed with the Hungarian officials issues relating to the Role and Independence of the NAO; Performance Audit Practices, Reporting and Developments; Government Financial Statements and Audit thereof; Relations with Parliamentary Committees; Audit of NAOs; Audits of Government-wide Issues, Code of Ethics; Staff Qualifications and Training; and Accruals Accounting. The Hungarian delegates were undertaking a comparative study on public sector audit in EU Member States.



A meeting of the Eurocontrol Audit Board held in Athens on 26 August 2005

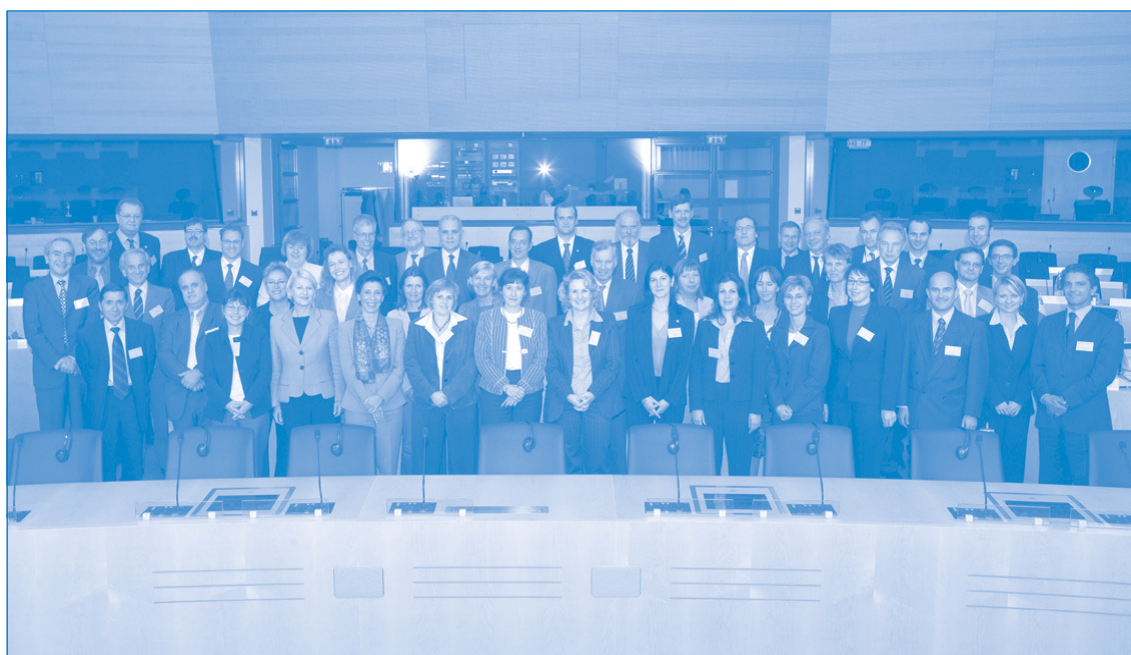
Date	Event	Location	Description
May 16-17	EU SAIs Liaison Officers' Meeting	Krakow (Poland)	Meeting was attended by a senior NAO official. Meeting discussed work being carried out by Liaison Officers of EU SAIs in terms of the Luxembourg December 2004 Resolutions of the Contact Committee (Heads of EU Member State (MS) SAIs) Meeting. Further information found under 'EU Contact Committee'.
May 30 –Jun2	VI EUROSAI Congress	Bonn (Germany)	Congress was attended by the Auditor General and another senior official. The main theme of the Congress was the "Audit of public revenues", with subthemes: (i) The significance of public revenues for public financial managers and for the Legislature's budget authority; (ii) Audit of public revenues: the SAI's function throughout the budget cycle; (iii) Audit of public revenues: audit approaches and audit impact. Presentations were also made by the EUROSAI IT and Environmental Working Groups and by the EUROSAI Training Committee on their respective activities.



EU SAIs Expert Group Meeting on Audit Quality held in Malta on 1-2 September 2005

Date	Event	Location	Description
June 8-10	EU SAIs Workshop (coordinated by ECA and SIGMA) on audit of EU Agricultural Funds	Constanta (Romania)	Workshop attended by a senior NAO official and one other officer. Purpose of Workshop was to provide information to participants on developments on the EU Common Agricultural Policy (CAP), Clearance of the European Agricultural Guidance and Guarantee Funds (EAGGF), recent ECA Reports and Opinions on Agriculture, and case studies of different SAIs in the audit of Agriculture EU-related funds.
June 27	Visit to ECA relating to Presentation on the Guidelines on Audit Quality	Luxembourg	Meeting was attended by the Auditor General and another senior official. The Presidents of the SAIs of Poland, Malta and Hungary gave presentations to the ECA Members and other senior ECA staff on the Guidelines on Audit Quality that were prepared by an Expert Group made up of the SAIs of Poland, Malta and Hungary, with technical support from SIGMA.
Sept 1-2	EU SAIs Expert Group Meeting on Audit Quality	Malta	A senior NAO official participated in this Meeting, together with representatives from the European Court of Auditors, the Supreme Chamber of Control of Poland, the State Audit Office of Hungary, and SIGMA. Meeting related to activities being undertaken by the Expert Group to increase awareness in EU Member and other SAIs in quality control in auditing.
Sept 8-23	NAO UK 2005 International Training Course	London (UK)	Training course was attended by a senior NAO official. The course covered both Financial and Compliance and Value for Money Audits. Particular focus was made on Planning and Reporting of Audits, as well as audit software that caters for the NAO (UK)'s audit approach.
Sept 19-20	IV EUROSAI Seminar on Environmental Auditing	Vienna (Austria)	Seminar was attended by a senior NAO official. Topic was the auditing of waste, renewable energies and air pollution.

Date	Event	Location	Description
Sept 26-30	ECA Audit Mission on Traditional Own Resources (TOR)	Malta	A delegation of two ECA officials undertook an audit of Customs in Malta relating to the Statement of Assurance for financial year 2005 concerning TOR.
Sept 28-30	EU SAIs Workshop (coordinated by ECA and SIGMA) on Auditing of EU Funds	Budapest (Hungary)	Workshop was attended by a senior NAO official. The aim of this Event was to discuss and exchange experiences on the subject of auditing EU Structural and Cohesion Funds, including structural problems relating to the management and audit of such Funds.
Sept 29-30	EU SAIs Working Group Meeting of EU MS SAIs on EU Financial Management Reporting	Warsaw (Poland)	Event was attended by a senior NAO official. Participants from different EU MS SAIs made presentations on the development of their own reports relating to EU Financial Management. The Maltese participant gave an account of recent developments undertaken by the Malta NAO, including the first publication of a Mid-Year Audit Report and the EU-related audits included therein.



Liaison Officers' Meeting of SAIs of EU Member States held in Luxembourg on 17-18 October 2005

Date	Event	Location	Description
Sept 29-30	EU SAIs VAT Working Group Meeting	Vilnius (Lithuania)	A senior NAO official attended the Meeting. The purpose of this Event was for all participants to report upon, <i>inter alia</i> , the developments of VAT receipts in their Member State. Reports on (i) Combating VAT fraud and the Transitional VAT System, (ii) Measuring VAT Gap, and (iii) SAI coordinated audit work in the area of VAT fraud were also presented.
Oct 6-7	Second European Healthcare Fraud and Corruption Conference	Bratislava (Slovak Rep)	The Auditor General and another senior official attended this yearly conference. Themes included Fraud, Risk Measurement, Propriety Checks and Measures to counter Fraud and Corruption.
Oct14-19	ECA Members Seminar	Malta	As part of the ECA Members' visit to Malta, the Auditor General presented medallions to all ECA Members and to the ECA Secretary General.
Oct 1 to 31 Mar 06	Secondment at ECA	Luxembourg	An NAO official is on a six-month secondment as a "national expert" at the ECA. He has been engaged in the audit of EU Agencies.



Contact Committee Meeting of SAIs of EU Member States held in Stockholm on 5-6 December 2005

Date	Event	Location	Description
Oct 12-14	Fifth EUROSAI Training Committee Event on Auditing of Public Procurement	Copenhagen (Denmark)	Event was attended by a senior NAO official and another officer. The objective of the seminar was to share experiences and to discuss cases of common interest in this area in the fields of financial auditing and management auditing. A number of case studies in public procurement in different countries were also presented.
Oct 17-18	EU SAIs Liaison Officers' Meeting	Luxembourg	Meeting was attended by a senior NAO official. Purpose of Meeting was to discuss final reports prepared by Liaison Officers of EU MS SAIs (further to the May 2005 Liaison Officers' Meeting) in terms of the Luxembourg December 2004 Resolutions of the Contact Committee Meeting. Further information found under 'EU Contact Committee'.
October 26-28	EU SAIs Workshop (coordinated by ECA and SIGMA and hosted by NAO Malta) on Financial Audit	St Julians (Malta)	A three day Workshop was hosted by the NAO. Further details found under separate heading "Workshop on Audit of Public Sector Financial Statements".

The Auditor General and the UK High Commissioner during the latter's visit to NAO



Date	Event	Location	Description
Oct 27 - Nov 1	INTOSAI Working Group Environmental Audit	Moscow (Russia)	A senior official attended this Event. This meeting featured interactive workshops on the Auditing of Biological Diversity, Auditing Climate Change, and Increasing the Impact of, and facing the Challenges of, Environmental Audit.
Dec 5-6	Contact Committee Meeting of SAIs of EU Member States	Stockholm (Sweden)	The Auditor General and another senior official attended this Meeting. Following the Liaison Officers' Meetings of EU MS SAIs held in May and October, the Contact Committee Meeting met and discussed the Reports prepared by the Liaison Officers. Current developments relating to the improvement of accountability of EU Funds were also discussed. Further details found under 'EU Contact Committee'
Dec 9-10	AGIS ⁶ Conference on Anti-Corruption Systems	Athens (Greece)	A senior NAO official attended the Conference and gave a presentation on the NAO's role where Anti-Corruption is concerned. During the Conference there was an exchange of views on Anti-Corruption Strategies by SAIs. Further information found under 'AGIS Study on Anti Corruption Systems within Competencies of SAIs of Europe'.
Dec 15	Courtesy Visit by UK High Commissioner	NAO (Malta)	Sir Vincent Fean made a courtesy visit to the NAO, upon an invitation by the Auditor General. The Auditor General and Sir Fean spoke about the excellent relations between Malta and the UK, and the close relations between the NAOs of the two countries.

discussed during the Liaison Officers' Meetings.

Resolutions and/or Activity Reports were made on the following themes during the C.C. Meeting:

Improving Accountability for Community Funds: the role of the EU's independent SAIs – This included a

⁶ AGIS is European Commission Framework Programme on police and judicial co-operation in criminal matters.

discussion on the European Commission's "Roadmap to an Integrated Internal Control Framework", and joint Statement by Presidents of the EU MS SAIs on the role of external audit within the framework of accountability for Community funds.

Co-operation between EU MS SAIs and the ECA – This included the Mission Statement of the C.C., Communication and website progress of C.C., Administrative support for the C.C. and the L.O.'s Meeting,

Role and Mandate of Acting Chair for C.C. Meetings, Working Languages and Future Financing of C.C. and Liaison Officers' Meetings.

Structural Funds – This included a report on a Parallel Audit (carried out by a number of EU MS SAIs) for the Identification, Reporting and Following up on Financial Irregularities relating to Structural Funds.

Public Procurement – The task of the Working Group of this theme is to develop and manage a web site on the audit of EU-related public procurement.

VAT – The major work priorities of the Working Group of this theme were for EU MS SAIs (a) to review the evolution of VAT revenue on internal trade and on imports in respect to GDP growth (review of methods of estimating revenue losses as a consequence of VAT fraud); and (b) to carry out more coordinated audits to induce more effective follow up by tax administrations on applying best practices to combat VAT fraud.

Common Agricultural Policy (CAP) – Participants were briefed on forthcoming changes and difficulties relating to the financial control concerning the CAP, as well as the need for further cooperation between EU MS SAI and the ECA in the audit thereof.

Reports on EU Financial Management – The role of this Working Group is to assist EU MS SAIs who may opt to develop or produce a national report on EU Financial Management.

Audit Quality – The 'Expert Group' on Audit Quality promulgated the Guidelines on Audit Quality to all EUROSAI Members. They have also undertaken initial preparations for the setting up of an Electronic Database on Audit Quality. Furthermore, preparations are in hand for the organisation of a Workshop on Audit Quality during 2006. Members of the 'Expert Group' include representatives from the ECA, SIGMA and the SAIs of Poland, Hungary and Malta.

Cooperation with SAIs of EU Candidate and 'Close-to-Candidate' Countries – The current cooperation between these SAIs and the EU MS SAIs, including also the ECA, was reported upon during the C.C. Meeting. This cooperation included a number of joint audit activities that are being undertaken.

EUROCONTROL Audit Board

A senior official continued being a member of the Eurocontrol Audit Board for 2005. This membership involved active participation in certifying the Agency Accounts and the Route Charges amounting to six billion euros. The Maltese member was also the lead auditor on the Recovery Process of the Route Charges.

He also represented the Audit Board in Council Meetings and chaired the Board in the plenary session held in Athens. The Maltese representative is also being nominated to chair the Board for the next two years.

Presentation of Guidelines on Audit Quality to ECA Members

The Presidents of the SAIs of Poland, Malta and Hungary, namely Mr Miroslaw Sekula, Mr Joseph G. Galea and Dr Arpad Kovacs, respectively made presentations to the ECA Members and other senior ECA staff on the Guidelines on Audit Quality. These Guidelines were prepared by the 'Expert Group' on Audit Quality during 2003/2004. Mr Sekula spoke about the historical aspects of the work of the Expert Group, as well as on general aspects of quality control. Mr Galea spoke about quality control during the actual audit process and on post audit quality assurance. Dr Kovacs then went on to speak about the Institutional Management aspect of audit quality, concerning human resources, managing institutional risks and building effective external relations with other local and overseas institutions. The speakers also spoke about future plans of the 'Expert Group' concerning the Electronic Database on Audit Quality and organisation of Workshops on audit quality.

AGIS Study on Anti Corruption Systems within Competencies of SAIs of Europe

During 2005 NAO took part in a comparative study on the Anticorruption system within the Competencies of the SAIs of Europe. This was part of an AGIS co-sponsored study by the European Public Law Centre and the European Commission, Directorate-General Justice, Liberty and Security. A report on the Malta NAO relating to this study was prepared. A senior NAO official gave a presentation thereon in an international conference hosted by the European Public Law Centre in Athens on the 9 and 10 December 2005. This conference discussed the reports on different European SAIs and exchanged views on the role of SAIs in their countries' anticorruption systems.

Workshop on the Audit of Public Sector Financial Statements

A Workshop on the Audit of Public Sector Financial Statements was coordinated by the European Court of Auditors and SIGMA. This Workshop was part of the activities of the New EU Member States and Candidate Country SAIs Working Group on Audit Manuals and Methods (under the authority

of the Contact Committee). The Workshop was hosted and organised by the NAO at the Westin Dragonara Resorts Hotel in St Julian between the 26 and 28 October.

The goal of the Workshop was to facilitate the exchange of knowledge and practical experiences of current practices and standards for auditing financial statements so as to encourage the application of better methods and procedures in that area. A special emphasis was made on discussing good practices and lessons to be learnt when building up a capacity and capability for auditing public sector budget execution reports and accounts.

NAO Meetings for Local Councillors

For the fourth year running, the Auditor General organised two meetings in order to meet the newly elected Mayors and Councillors, private sector auditors and representatives from the Department of Local Councils, the Local Councils Association and the Association for Local Councils' Executive Secretaries (ASKLM).

The meetings were held on the 22 July 2005 at the Westin Dragonara Resorts Hotel, and on the 29 July 2005 at the Mgarr Hotel and were addressed by the Auditor



Group photo of participants at the Workshop on the Audit of Public Sector Financial Statements held in St. Julians on 26-28 October 2005

General. In his speeches, the Auditor General briefly explained the role of the NAO with respect to Local Councils and stressed the importance of the responsibility of the Mayor and every Councillor in the running of the respective Local Council.

Unfortunately, the attendance for both events was not encouraging with less than 25% of invitees attending.

Meeting with Journalists' Representatives

Following a meeting held with representatives from the Institute of Maltese Journalists, it was agreed that the NAO conducts an information seminar for journalists. This is now earmarked for January 2006. The purpose of the seminar will be to acquaint journalists with the historical background of the NAO, its role, functions, organisational structure, and its relationship with the Parliament, and the types of audits and reporting that it carries out.

Information and Communications Technology

The Information and Communication Technology (ICT) Unit caters for the information technology needs of the Office. Its main functions include:

- To recommend general ICT strategy and develop operational ICT planning.
- To provide oversight and continuity in respect of the installation, operation and maintenance of the Office network.
- Recommend and source any additional hardware/software needs.
- Design and source the necessary training programmes for the staff in all relevant areas of computing and provide follow-up on the job training.
- Develop and maintain a knowledge base of all major computerised systems used by government Ministries and Departments.

Besides the above functions, the Unit is also responsible for the updating and maintenance of the Office Intranet and Website.

ICT Support to Staff

Although the Unit's staff numbers only two personnel, it manages to give the necessary IT (both hardware and software) related support to all NAO staff. Downtime of the Office network during the year was minimal while breakdowns of hardware were attended to with the least possible disruption. In the majority of cases repairs to computers are carried out in-house.

Whenever requested, the Unit also provides expertise to Audit Units in the course of audits which are IT-related.

Operations Review

Conscious of the rapid developments in the fields of e-Government and m-Government and the likely introduction of accruals accounting across government departments, it was recognised that Information Technology will play a major role and heavily impact the audit function in the near future.

NAO is fully aware of the rapid changes that have and will be taking place in the Information and Communications Technology (ICT) domain and is desirous to be prepared to meet the challenges that this technology will bring in the field of Government-related audits.

For this to take place it was decided to conduct an operations review of the I.T Unit and the audit function with emphasis on I.T audits. The operations review would need to carry out an extensive evaluation of the current situation and recommend how the ICT and I.T Audit Functions are to be re-organised. The recommendations from the operations review are to include advice on how to:

- (a) Strengthen its I.T Unit to provide the appropriate technical support to NAO in general and the audit services divisions in particular;

- (b) Build the appropriate staff competencies (auditing and I.T staff) to conduct I.T audits by utilising the appropriate tools.
- (c) Procure the right ICT equipment and tools to enable general audits particularly, I.T audits to be conducted in a professional manner.

The above would enable the NAO to be in a position to meet the challenges that the introduction of *e-government* and *m-government*, and accruals accounting will bring about in the development of Government's administrative processes.

This exercise is currently under way and it is hoped that the relative recommendations will be implemented early next year.

Printing of Reports

Another function which up to now has been the responsibility of the Unit is the editing and pre-printing layout production of all reports published by the NAO prior to referral to the Government Press for printing. This year for the first time, besides the Performance Audit reports which are normally published during the year, it was decided to deviate from issuing one Annual Audit Report at the end of the year by publishing a Mid-Year Audit Report in July. This initiative was generally well received.

Conclusion

During 2005 there have been several developments effecting the environment in which we carry out our work. Developments included the increase in Government financial and non-financial activities relating to E-Government, M-Government, EU-related funds, as well as increased importance being given to NGOs. It is therefore important that our work becomes increasingly focused on current local developments and changes.

We strive to adapt ourselves to these changes by ensuring that we keep ourselves posted with changes and developments that in some way effect the public sector.

In terms of NAO policy and good auditing practice, audits are systems-based and conducted on a risk and materiality basis. During the current year, we have also focused on specific areas of concern that we deemed merited in-depth audit.

Our people come from a wide range of professions, including accountancy, public administration, mathematics, economics and other specialised areas. We place a high value on training and development as can be witnessed from our extensive participation in local and overseas conferences, seminars and other meetings.

Our work covers key areas of our public services. These are reflected in both financial and compliance, as well as in value for money, audits that are carried out.

Whereas the bulk of our work is on central government, we have also given due consideration to Local Government audit, as well as the audit of non central government organisations. We have also carried out a number of value for money audits on public sector activities that we felt were of current interest. A number of special audits are also being carried out as requested by the Public Accounts Committee.

Whatever type of audit or examination we carry out, we strive to focus on current issues, particular those that may have a strong bearing on future government activities, whether they are of a purely financial nature or whether they relate more to the actual output and outcome of government-related services and activities.

One must also state that our clients work in an environment of change as well. These changes are dictated by both local and international circumstances and events. Malta's entry into the EU has, in particular, necessitated additional checks and controls in order to be in conformity with EU rules and regulations. EU membership entails additional discipline in financial management.

This has been a challenging year for the Office. We have worked hard to respond to new circumstances, and we will endeavour to continue contributing to improved public services and high standards in financial management.

I would like to acknowledge the cooperation afforded by the auditees (clients) that has, in most instances, been readily forthcoming.

The Constitutional mandate is not simply to identify shortcomings in government financial reporting, although this is a crucial part of its role. The purpose, as stated in our Mission Statement, is to “help promote

accountability, propriety and best practices in government operations” and to act as catalyst in enhancing good governance through the various recommendations we propose to the auditees.

Last but not least, I would also like to thank all members of the staff for their hard work in assisting me in the proper discharge of my office. In particular I feel that mention should be made of the dedication and hard work that was entailed in the preparation of the Mid-Year and Annual Audit Reports on Public Accounts for year ending 31 December 2004, as well as the Value for Money and other reports presented to the Speaker of the House during the year.



Joseph G. Galea
Auditor General

January 2006

