



National  
Audit  
Office

MALTA

# NATIONAL AUDIT OFFICE



ANNUAL REPORT &  
FINANCIAL STATEMENTS

# 2024

# Annual Report and Financial Statements

2024

## Report by the Auditor General

This report has been prepared under sub-para. 5(i) of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives in accordance with para. 7 of the First Schedule of the said Act.



Charles Deguara  
Auditor General

The Auditor General is head of the National Audit Office, Malta. He and the National Audit Office are totally independent of Government. He examines the accounts of all Government Ministries and Departments and may also examine other public sector bodies. He also has statutory authority to report to the House of Representatives on the economy, efficiency and effectiveness with which Departments and other bodies have used the resources voted annually to them in the Estimates.

National Audit Office  
July 2025

### OUR VISION

*To provide a multidisciplinary professional service to Parliament, to Government and the taxpayer and to be an agent of change conducive to achieving excellence in the public sector.*

### OUR MISSION

*To help promote accountability, propriety and best practices in Government operations.*

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## List of Abbreviations

AACC	Active Ageing and Community Care
AAG	Assistant Auditor General
AG	Auditor General
AI	Artificial Intelligence
CCAA	Climate Change Adaptation Actions
CEF	Centre of Excellence in Finance
CEO	Chief Executive Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CNAO	Chinese National Audit Office
DAG	Deputy Auditor General
DEA	Data Envelopment Analysis
ECA	European Court of Auditors
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
EU	European Union
EUROSAI	European Organisation of Supreme Audit Institutions
EWGEA	European Organisation of Supreme Audit Institutions Working Group on Environmental Auditing
FTE	Full-Time Equivalent
IAID	Internal Audit and Investigations Department
IAS	International Accounting Standard
ICT	Information and Communications Technology
IDI	International Organisation of Supreme Audit Institutions Development Initiative
IESBA	International Ethics Standards Board for Accountants
IFRIC	International Financial Reporting Standards Interpretations Committee
IFRS	International Financial Reporting Standard
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standard on Auditing
ISSAI	International Standard of Supreme Audit Institutions
IT	Information Technology
ITWG	Information Technology Working Group
LCA	Local Councils Association

## List of Abbreviations continued

LCU	Law Compliance Unit
LGD	Local Government Division
MCAST	Malta College of Arts, Science and Technology
MDB	Malta Development Bank
MDH	Mater Dei Hospital
MDIA	Malta Digital Innovation Authority
MEER	Ministry for the Environment, Energy and Regeneration of the Grand Harbour
MFA	Malta Food Agency
MFC	Malta Film Commission
MFW	Malta Film Week
MoU	Memorandum of Understanding
NAO	National Audit Office
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PAS	Performance Audit Subcommittee
PESA	Professional Education for Supreme Audit Institutions Auditors
PMF	Performance Measurement Framework
PPP	Public-Private Partnership
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
SIC	Standards Interpretations Committee
TVM	Television Malta
UK	United Kingdom
UN	United Nations
WGEA	Working Group on Environmental Auditing

# Foreword

## Auditor General's Overview

It is with mixed feelings that I present my last Auditor General's (AG) Foreword to our National Audit Office Annual Report and Financial Statements, 2024. On the one hand, approaching the end of such a challenging, albeit highly rewarding phase in a career spanning nearly half a century, 30 years of which spent within the public service before joining this Office, unavoidably tends to create a certain sense of nostalgia of all that we have been through together within our Office. Yet, at the same time, my experience within the Office elicits a strong sense of satisfaction and optimism since I have no doubt that this Constitutional Office faces a bright, solid future.

Thanks mostly to our concerted efforts to recruit the most competent, professional employees and, consequently, provide them with the best professional development opportunities. In this regard, I acknowledge the efforts of my predecessors, especially following the setting up of the National Audit Office (NAO) in its present format in 1997 when, among other important, far-reaching developments, its total independence and autonomy were formally enshrined in our Constitution (Article 108). That independence remains the bedrock of all our reports and work. As emphasised in the Lima and Mexico Declarations, this is a *sine qua non* condition for every credible and respected national audit institution. As regards recruitment, thanks also to my Deputy Auditor General (DAG), Mr Noel Camilleri, who has chaired practically all Selection Boards within our Office during these past nine years.

It is true that my nearly two decade-long journey at the NAO, first as DAG and, since 2016, as its Head, has offered occasional disappointments and



**Auditor General**  
Charles Deguara

frustrations. For one, the relationship between auditor and auditee cannot always be easy and plain sailing. However, considering everything that we have achieved together, the strong sense of satisfaction and pride by far compensates for such rare moments.

Acknowledging the considerable efforts and initiatives carried out across the public service as a direct result of our audit work to enhance the level of good governance is indeed a source of considerable job satisfaction. Ultimately, this constitutes our main objective, essentially, that through our audit work we propose feasible, workable recommendations that duly address the issues and shortcomings that we identify in our audit assignments. Consequently, this leads to an enhanced service delivery by departments and public entities. As our citizens really and truly expect and deserve.

For this reason, from the start of my mandate, I have always strongly believed that developing a collaborative, rather than confrontational, working relationship with the leadership of the public service, based on genuine mutual trust and respect, is of critical importance. This ensures a continuous appreciation of our challenging work to provide assurance to Parliament, and ultimately our citizens, that public resources are being used in the best manner possible, and in line with prevailing rules and regulations. To do this in an effective manner, it is a must that we continue enjoying the high level of trust that is so very important for our Office; hence, my strong insistence that our work be invariably based on the fundamental auditing values of objectivity, fairness, integrity and evidence-based reporting. Without any exception or fail.

In practically every Foreword that I have penned throughout my tenure, I have repeatedly emphasised that, undoubtedly, our human resources constitute the most valuable resource within our Office. Indeed, I am extremely thankful for the unwavering, loyal support I have always received from our excellent team, whose elevated level of competence, knowledge, professionalism and resilience is indeed greatly appreciated. Allow me to reiterate that, without our highly motivated employees, we could never have achieved the excellent results that, with all due humility, our Office has managed to register over the years. This applies both to the local as well as the international scenes.

Locally, we have continuously reviewed in a focused, transparent manner our internal processes and methodologies to ensure more efficient, effective operations, in line with international auditing standards and work practices. We leave no stone unturned to produce high-quality audits that provide the best possible insights to the public service; for this reason, we did not shy away from embarking on an ambitious change management programme,

when and as required, to ensure we carry out our constitutional mandate in the best possible manner.

Focusing on our core duty, delivery throughout 2024 remained robust. Every audit assignment included in our audit plan was completed and tabled on time, allowing this Annual Report to document, in detail, how the Office used its resources and how it measured its performance. We really practice what we preach! Just as encouraging has been the steady rise in the proportion of recommendations incorporated in Reports we issued in the past that auditees have implemented; further evidence that the ongoing dialogue with the leadership of the public service is producing positive change, rather than just rhetorical consent.

Internationally, we have hosted many successful events, particularly in collaboration with the International Organisation of Supreme Audit Institutions (INTOSAI) and the European Organisation of Supreme Audit Institutions (EUROSAI). We have also organised various annual seminars with the European Court of Auditors (ECA), with whom we have nurtured an excellent working relationship, thanks especially to all the Maltese members who have always extended their strong collaboration. Suffice it to say that the present ECA President, Mr Tony Murphy, and his predecessor, Mr Klaus-Heiner Lehne, have both paid official visits to our Office. Incidentally, during 2025 we will be hosting two highly prestigious events in Malta: the INTOSAI Working Group on Environmental Auditing (WGEA) Assembly (July) and the Annual Meeting for all the Heads of the Supreme Audit Institutions (SAIs) within the European Union (EU), known as the Contact Committee (November). Hosting this conference, in close collaboration with the ECA, will place Malta at the centre of the European public audit focus.

We have also strengthened our bilateral collaboration with a number of SAIs, with the result that some of

our staff have participated in highly useful exchange work placements in other national audit institutions. Thus, international engagement, notwithstanding our size, continues to broaden our horizons, teaching us important lessons based on the experiences of other national audit institutions.

International co-operation is a conduit through which good practice harvested abroad is incorporated, as deemed necessary and opportune, within our own public sector context, helping a small SAI punch above its weight, especially on the European stage.

As my mandate comes to a close, I am thankful and humbled to have had the opportunity to lead such an outstanding, dedicated team without whom the NAO would not be what it is today. Working closely with all our staff, both past and present, has been a most satisfactory and, yes, useful learning experience that I will always cherish. Indeed, we are proud to be of service to our country in providing oversight and

accountability in the use of public funds. Essentially remaining a vigilant guardian of the public purse and a catalyst for better governance across the public sector.

Finally, I would like to convey my heartfelt appreciation for the steadfast support of the House of Representatives. Indeed, as an Officer of Parliament, I record my heartfelt thanks to the Hon. Speaker, the Clerk of the House, the Chair and Members of the Public Accounts Committee (PAC), and to all Members on both sides of the House. I am equally grateful to successive Presidents of the Republic and Prime Ministers and Governments for invariably respecting to the full, in both letter and spirit, the NAO's autonomy; to our international colleagues for their mutual collaboration and respect; and, above all, to the citizens of Malta, whose trust in our Constitutional Office is the ultimate measure of our relevance and impact.



Charles Deguara  
Auditor General  
July 2025

# Reflections by the Deputy Auditor General

*NAO Deputy Auditor General, Mr Noel Camilleri, reflects on a decade of transformation, progress, purpose and the future of the NAO*

## A shared journey

As my second term as DAG nears its end, I find it both appropriate and meaningful to reflect on the gradual transformation of the NAO over the past decade: a journey I have had the honour of steering alongside the AG, Mr Charles Deguara. It has been a time of learning, challenge, growth and, most of all, shared purpose.

## Balancing tradition and change

Almost 10 years ago, I transitioned from a fast-paced, highly dynamic professional setting into a more structured, methodical environment. It was not an easy adjustment. SAIs, including ours, are inherently conservative in nature.

They are designed to be risk-conscious while maintaining objectivity, a necessary trait, given their vital role in safeguarding public accountability. While SAIs do not engage in setting public policy, they nonetheless act as powerful enablers of change across the public sector.

## Upholding autonomy and values

The NAO, in its current form, is still relatively young. It was only just over a quarter of a century ago, in 1997, following Constitutional amendments, that the Office was restructured to become the independent institution it is today. Since then, a key objective has been to affirm the NAO as an autonomous entity,



**Deputy Auditor General**  
Noel Camilleri

distinct from the civil service, and a central player in Malta's accountability and governance ecosystem.

We are fortunate to have inherited a strong foundation. Our predecessors worked tirelessly to secure the Office's independence, while embedding integrity and a commitment to good governance in its core. Along with the Office's autonomy, these are values that every individual within the NAO is unequivocally bound to defend and uphold with absolute determination.

## From oversight to insight

At the time of its establishment much of the NAO's work focused on compliance; identifying errors, gaps and shortcomings in public administration. At that stage, this was essential for the NAO to establish credibility and a clear oversight role in Malta's public sector.

But the environment around us has evolved rapidly. Technological innovation, organisational reforms, modern management practices and rising public expectations have transformed the public sector.

In response, the NAO too had to evolve from a traditional watchdog into a more dynamic, forward-looking agent of change. Today, we go beyond identifying problems. We actively offer evidence-based recommendations to help improve systems and services.

### **Our staff at the centre of progress**

Over the past decade, we have continuously pursued initiatives that reflect this necessary evolution, not for the sake of change itself, but because our mission demanded it. One constant has carried us through: the firm commitment and resilience of our staff. Their collaboration has been central to every achievement.

We took a long, hard look at ourselves as an institution. Through the Performance Measurement Framework (PMF) self-assessment, we gauged our maturity and effectiveness. We also proposed amendments to our legal framework, including changes to the Constitution and the Auditor General and the National Audit Office Act (Cap. 396), to better equip the Office for its future role. To date, these remain pending but are as necessary today as when we first proposed them back in 2020.

At the heart of our progress lies investment in our people. We prioritised training and capacity building, exposing staff not only to local developments but also to international best practices. Our participation in the wider SAI community has never been passive; we contribute actively, sharing our insights and learning from others.

We are currently in our second strategy cycle, which builds on the success of the first. What is particularly

encouraging is that the strategy is owned by all staff, not just the leadership. Participation in strategy-driven Action Teams demonstrates that every member of the NAO has a voice and a stake in our shared direction. We have successfully advanced a unified vision; we are all reading from the same page.

### **Building the NAO of tomorrow**

Looking ahead, we are already laying the groundwork for the NAO of tomorrow. Based on insights from the PMF, we have established a strategic workstream dedicated to reviewing and modernising our audit processes in alignment with INTOSAI's International Standards of Supreme Audit Institutions (ISSAIs).

Our current focus is on revamping our compliance audits methodology to enhance the relevance and impact of our reports. Other areas, such as performance audits, will follow.

In parallel, we are currently setting up a dedicated financial audit stream. This will expand the NAO's ability to audit the Government's Financial Statements, as presented in the Treasury's Financial Report, and allow it to possibly undertake additional financial audit engagements across the broader public sector.

To support this transformation, internal restructuring is a necessity. We plan to establish an Audit Support Unit specialising in key areas, like audit methodology, risk management and data analytics. A dedicated Quality Assurance resource function will, in addition, help the NAO raise the standard of its audit output.

### **Leveraging technology for public value**

Technology is the next frontier. The NAO is at a critical point where investing in the design of Information Technology (IT) architecture, which supports big data, data analysis and audit management software, is no

longer an option; it is essential. In a data-driven world, we must empower our teams with tools that enable them to work smarter, generate deeper insights and, ultimately, create more public value.

### **Making accountability visible**

Creating impact through the NAO's work goes beyond mere technical execution. It requires effective communication. In my view, the Office needs to engage more with the public and explain its role in open, clear and simple terms.

Concepts like transparency and accountability must be made tangible to citizens. Without meaningful outreach and public engagement, our work risks being ignored or misunderstood.

### **Leading by example**

It is our responsibility at the NAO to exemplify the very standards of integrity, transparency and accountability that we expect to see put in practice across the public sector. This commitment begins within our own institution.

To support this, we are in the final stages of introducing a new NAO Code of Ethics. This initiative is aimed at strengthening our internal culture of ethical behaviour and professional excellence. By raising the bar for integrity and conduct within our Office, we aim not only to enhance our credibility but also to serve as a model for others in the public service to follow.

### **Looking ahead with confidence**

The past decade has been as rewarding as it has been demanding. While at times the pace may have been slower than anticipated, the resolve needed to be much stronger, requiring greater stamina and a different approach.

The NAO's resilience and progress are the result of collective effort, debate and an enduring commitment to improvement. We may not have always agreed, but those internal debates made us stronger. Now, the time has come for bold, courageous steps that will take the Office to even greater heights.



### **Police says NAO noted positive efforts made to improve administration**

*In a follow-up publication of an auditing report on government entities which included the Malta Police Force by the National Auditing Office (NAO), it was found that the Police Corps took successful steps in implementing its recommendations particularly with regards to digitalisation, especially in the police's Human Resources Department, the police said in a statement.*

*The Malta Police Corps said that the NAO has just published a follow-up audit report covering activities related to auditing on government entities, including the Malta Police Corps. It said that the scope of this exercise, concerning the police, was to follow and report on internal controls exercised by the Corps in connection to expenditure on overtime and allowances.*

**The Malta Independent, 29 June 2024**

# From tradition to transformation – Elevating audit excellence at the National Audit Office

by Hilary Galea-Lauri

*An External Consultant to the NAO, Mr Hilary Galea-Lauri, FCCA, FIA, CPA (Practicing Certificate in Auditing), explores the vision, groundwork and anticipated impact of the NAO's strategic push towards modernisation, innovation and excellence*

In a world where public trust hinges on transparency and accountability, the NAO is redefining audit excellence. For a country like Malta, with limited resources yet high expectations for governance, such a transformation is not a choice but a necessity.

Public sector audit quality lies at the heart of effective national reporting, enabling informed decisions, fostering accountability in the use of public resources and strengthening public trust. The NAO, recognising its pivotal role in delivering transparency, continues to embark on a transformative journey to elevate audit quality.

Ensuring utmost precision and reliability in audits is vital to maintaining public confidence and supporting national governance.

## **Background and context**

Traditionally, NAO audits have focused on compliance and performance audits, in addition to special audits and investigative assignments, usually undertaken at the behest of the PAC, and, more recently, IT audits. While this approach has ensured a degree of rigour, evolving complexities in government operations and public expectations have necessitated a broader and more dynamic audit approach.



Stakeholders increasingly demand audits that go beyond the basics, offering deeper insights and actionable findings across the breadth of government activities.

Malta's unique status as an insular small island nation further heightens the need for transformation. With limited resources, high transparency standards and increasing complexity in governance, the NAO must continuously evolve and adapt to ensure its audits remain effective and relevant.

Today, the NAO is taking on this transformation, reinforcing its commitment to delivering audits that hold public sector entities accountable while driving national progress.

## **Key transformations in audit quality**

### **Technology**

A key pillar of the NAO's transformation lies in adopting advanced technologies. By leveraging data analytics, Artificial Intelligence (AI) and automation,

the NAO aims to enhance the efficiency and accuracy of its audits, scrutinising financial records with unprecedented granularity, identifying irregularities and ensuring fiscal responsibility across public sector entities.

These tools will also allow auditors to process large volumes of data from government entities, pinpointing potential risks more swiftly than ever before.

This technological shift is especially significant for Malta, where a smaller administrative landscape enables targeted, impactful interventions. By using these tools, the NAO can maximise its resources and provide greater value in its audits of government operations.

#### Enhanced focus on audit types

The NAO is strengthening its capabilities in compliance audits, performance audits, IT audits and investigative reviews. Compliance audits ensure that government entities operate within the boundaries of legal and regulatory frameworks (e.g., adherence to procurement regulations in a government department), while performance audits evaluate the effectiveness and efficiency of programmes and initiatives (e.g., evaluating the cost-efficiency of a public transportation project), besides providing actionable insights for more effective public policies.

Investigative reviews, meanwhile, delve into specific concerns, targeting misuse of funds, propriety and other governance aspects, hence ensuring accountability at every level. Together, these audit types form a comprehensive framework that supports Malta's governance and public administration.

In parallel, the NAO is placing greater emphasis on financial audits, ensuring that the finances of public sector entities are thoroughly examined and reported upon. This focus aims to safeguard public funds, identify inefficiencies and recommend improvements where necessary in also ensuring that taxpayer funds are used responsibly.

By embedding a structured financial audit stream within the NAO, the following tangible benefits are deemed to accrue:

*a. Greater financial transparency and accountability*

Strengthening audit practices ensures public funds are monitored effectively, minimising misuse or inefficiencies.

*b. Better financial planning and budgeting*

A robust audit stream improves financial data accuracy, allowing public sector entities to plan long-term expenditures more effectively. Besides, a greater emphasis on financial audits also enables the NAO to capture a wider range of public entities from its audit universe.

*c. Reduced fiscal risks*

Enhanced auditing helps identify financial mismanagement early, mitigating risks related to overspending, fraud or liabilities.

*d. Boosting Malta's reputation for good governance*

Strong financial oversight enhances confidence among international investors, EU institutions and credit rating agencies, improving economic prospects.

*e. Smooth transition to accrual-based accounting*

While the Maltese public sector remains predominantly cash-based, strengthening financial audits helps pave the way for a smooth shift towards accrual-based accounting, should government decisively decide to move in that direction.

Enhancements across all these audit types are very important, particularly in addressing the needs of a small island nation, with limited resources, growing public scrutiny and regional obligations.

### Skills development

Transformation is not solely about technology and methodologies. It is also about people. The NAO recognises the need to empower its auditors with advanced skills and knowledge. Extensive training programmes continue to be run to equip staff with expertise in data-driven audits, financial scrutiny and investigative techniques.

By fostering a culture of continuous learning, the NAO is ensuring that its workforce remains resilient and adaptable to evolving legislative frameworks or new auditing tools, capable of addressing the increasingly complex challenges of modern auditing.

By nurturing a workforce adept at tackling complexities, the NAO ensures that Malta can match international standards despite its smaller scale and potentially retain skilled talent in such a small country.

Additionally, there is capacity building through internally developed resources and, where considered to be a need, via external recruitment of specialist resources. This dual approach ensures that the NAO can leverage both the existing expertise within its ranks and the fresh perspectives brought in by external specialists, thereby enhancing its overall capabilities and effectiveness.

### Strategic collaboration

As part of its transformation, the NAO continues to actively engage with local stakeholders and international institutions, such as co-operating with other European audit institutions (and beyond) to share learning initiatives and expertise, besides aligning with global best practices.

These collaborations are especially valuable since they enable the NAO to learn from larger, more experienced counterparts while tailoring solutions to the country's unique needs. In this regard, the NAO's active participation and input within international fora have increased exponentially.

### Impact on reporting excellence

The transformative efforts of the NAO promise to elevate the quality and impact of its audits. By enhancing financial audits, government ministries, departments and public sector entities will be held to higher standards of accountability, ensuring that public resources are managed responsibly and effectively.

Similarly, strengthened compliance and performance audits will provide stakeholders with deeper insights into the effectiveness of government programmes, enabling evidence-based decision-making. Investigative audits, on the other hand, will play a crucial role in addressing public concerns and maintaining trust in governance.

For the NAO, this transformation is not just about improving audit processes. It is about creating a more transparent, efficient and accountable public sector. As the Office adapts to the challenges of the modern era, it reinforces its commitment to supporting national reporting and governance through exemplary audits.

### A benchmark for excellence

The transformation in audit quality is both a strategic necessity and an opportunity for the NAO to lead by example. For an EU country aspiring for higher governance standards, this journey underscores the importance of innovation, collaboration and excellence in auditing.

By focusing on further enhancing its core competencies, the NAO aims to provide comprehensive oversight and drive positive change across government operations. The ongoing transformation under way inspires confidence in the NAO's ability to navigate challenges and uphold its mission of fostering transparency, accountability and trust in Malta's public sector, carrying out its constitutional mandate in the best manner possible.

In so doing, the NAO is truly setting a benchmark for excellence.



# PART ONE

## Introduction

This first section of the Report presents an overview of the external environment in which the NAO operated during 2024. It focuses primarily on a summary of public finance figures for 2024, prepared on both cash and accrual accounting bases.

# Public Finances



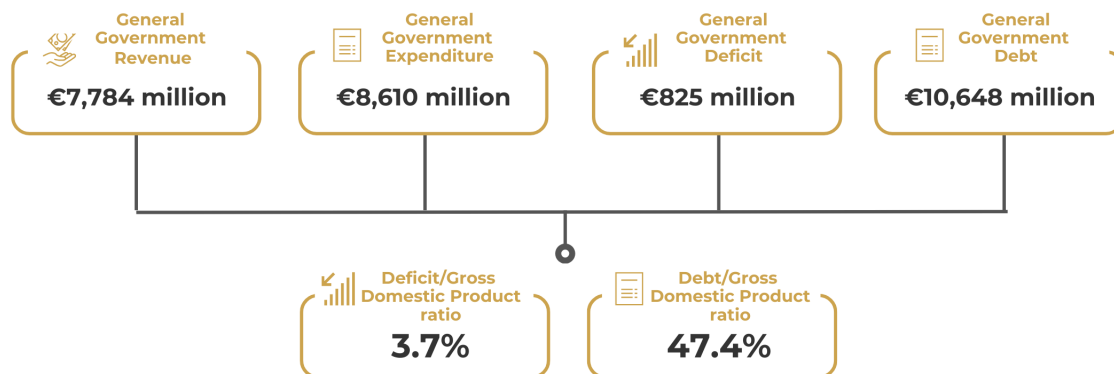
## 2024 Figures on a Cash Basis



Source: National Statistics Office News Release NR054/2025 dated 28 March 2025<sup>i</sup>



## 2024 Figures on an Accrual Basis



Source: National Statistics Office News Release NR070/2025 dated 22 April 2025<sup>ii</sup>

## Governance

### NAO Organisation

Figure 1 depicts the organisational structure of the NAO.

In 2024, the senior management team of the NAO, chaired by the AG, Mr Charles Deguara, comprised the DAG, Mr Noel Camilleri, Assistant Auditor General (AAG) Financial and Compliance Audits Section, Ms Tanya Mercieca, AAG Performance Audits Section, Mr William Peplow, AAG Special Audits and Investigations Section, Mr Keith Mercieca, and External Affairs and Research Officer, Mr Brian Vella. The senior management team is responsible for setting the overall direction of the Office, in alignment with the NAO Strategy 2024-2028. Their responsibilities also include the management and oversight of audit progress, the drafting and dissemination of policy directives, stakeholder engagement and the co-ordination of cross-functional initiatives. These and other pertinent management issues are discussed and decided on during senior management meetings. In 2024, a total of nine such meetings were held, excluding away-days during which issues of strategic importance were extensively discussed.

The day-to-day operations of the NAO are overseen by line managers under the guidance of the senior management team. The Audit Managers, who all report to their respective AAG, were: Ms Sharon Borg Finn and Mr Orland Bonavia from the Financial and Compliance Audits Section; Mr Simon Vassallo and Ms Maria Azzopardi from the Performance Audits Section; and Ms Josephine Vella and Ms Maressa Stivala from the Special Audits and Investigations

Section. Additionally, Managers, Mr Simon Camilleri, from the IT Audits and Operations Section, and Mr Ian Rizzo, from the Finance and Administration Section, both report to the DAG. Liaison Officer International Affairs, Dr Rebecca Vassallo, appointed on 1 July 2024, reports directly to the AG.

## Organisational Overview and Section Results

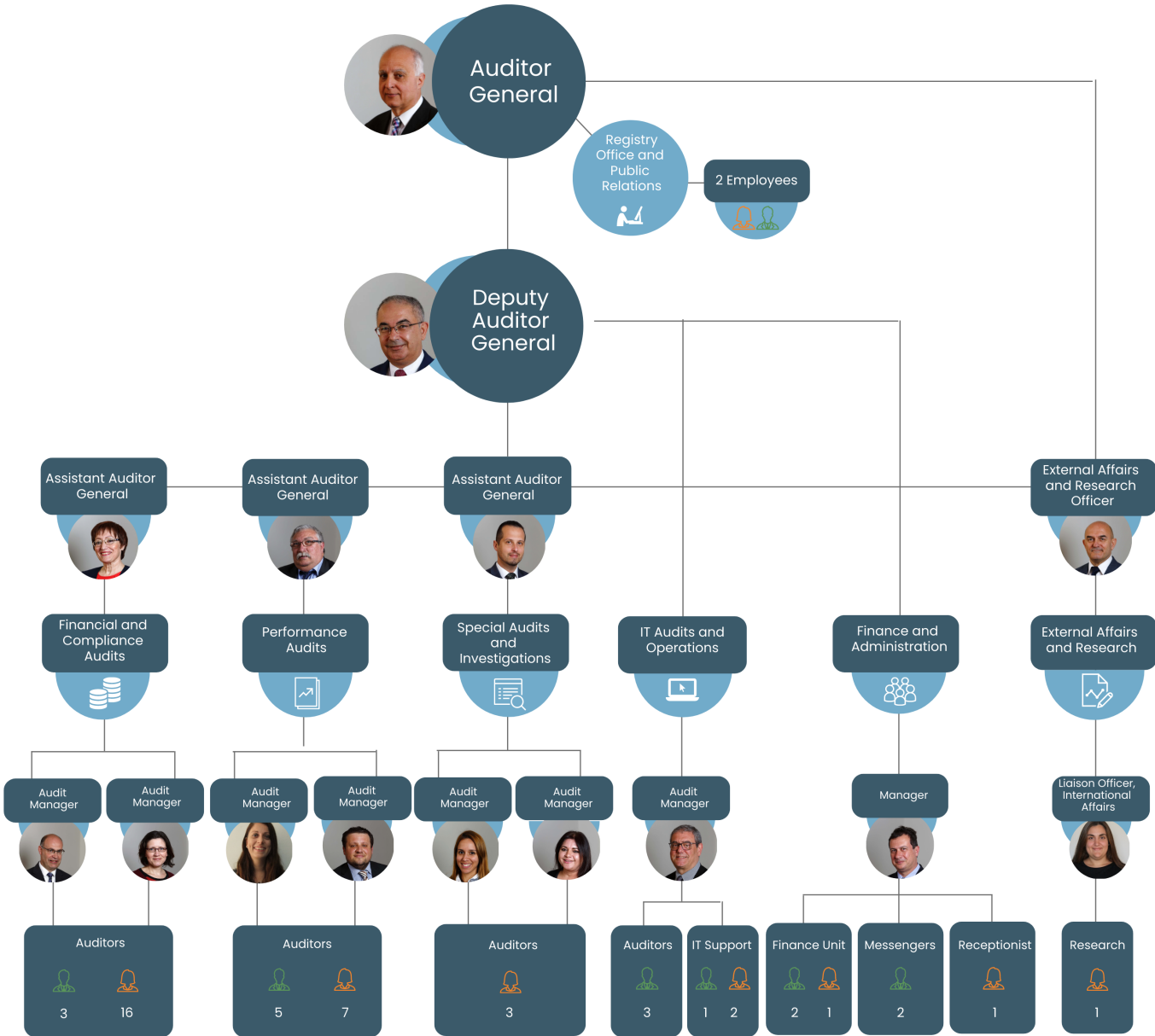
As Malta's SAI, the NAO is responsible for conducting external public sector auditing. In accordance with ISSAI 100, public sector auditing is defined as a systematic process designed at impartially gathering and evaluating evidence to determine whether information or actual circumstances comply with established standards or criteria.

This process ensures that legislative bodies, oversight entities, governance authorities and the public are provided with independent, objective and professional assessments of the management and effectiveness of government policies, programmes or activities. Furthermore, it verifies the proper receipt and utilisation of public funds and their accurate reporting.

The NAO conducts various types of public sector audits, including:

- Financial and compliance audits;
- Performance audits;
- Special audits and investigations; and
- IT audits.

Figure 1: NAO Organisational Chart



# Financial and Compliance Audits

## Audits completed in 2024



### Annual Report on the Public Accounts

Audit Opinion on the Financial Report  
Audit Opinion on the Compliance Audits

**32** audits/  
management  
letters issued



**16** audits in  
government  
departments in **14**  
ministries



**16** audits in  
government  
entities in **11**  
ministries



**260+**  
recommendations



### Other write-ups:

Analysis of the Financial Report  
Arrears of Revenue  
Malta School of Music

## Reports on Local Government

**57**  
(out of **68**) local  
councils audited

**57**

**6**  
(out of **6**) regional  
councils audited

**6**

**1**  
Local Councils  
Association audited

**1**

**780+**  
recommendations

**780+**

## Follow-up audits completed in 2024

**10** audits followed up



**85** recommendations  
followed up



**39** recommendations  
fully implemented



**17** recommendations  
partly implemented  
or demonstrating  
significant progress



**23** recommendations  
showing insignificant  
progress or not  
implemented



**6** recommendations  
deemed no longer  
applicable



## Financial and Compliance Audits

### Section Overview

In 2024, the Financial and Compliance Audits Section published the following reports:

- a. Report by the Auditor General – Public Accounts 2023
- b. Report by the Auditor General on the Workings of Local Government 2023
- c. Follow-up Audit Reports by the National Audit Office 2024 – Volume I

These reports contained a thorough analysis of financial and compliance audit issues, offering recommendations to address shortcomings and promote good governance across the public sector.

The Annual Audit Report on the Public Accounts for 2023 comprised 32 audit reports on the operations of several public sector entities. This publication also included an analysis of the Financial Report 2023, as well as an overview of the Statements of Arrears of Revenue for the same year, as submitted to the Treasury by the respective public sector entities. It also included an *ad hoc* compliance audit on the Malta School of Music.

The NAO has judiciously analysed the level of administrative compliance of various expenditure items with prevailing rules and regulations. The Report presented over 260 relevant recommendations aimed at addressing identified shortcomings and promoting good governance and best practices within Government operations.

Some of the key findings identified were the following:

- a. Bypassing of procurement regulations, including services rendered under expired contracts and the absence of the necessary approvals.

- b. Weak internal controls and lack of standard operating procedures.
- c. Insufficient documentation to support the payment of allowances and overtime.
- d. Inadequate project management, resulting in delays and cost overruns.

A key challenge faced during the conduct of these audits was the lack of timely submission or non-submission of information required for audit purposes, which, in some cases, hindered the scope of certain audits.

### Local Government

The NAO is legally mandated to conduct financial audits of local and regional councils, as well as that of the Local Councils Association (LCA). This mandate ensures thorough scrutiny of financial management practices and holds those managing public funds accountable. These audits are conducted by private audit firms, referred to as Local Government Auditors, who act on behalf of the AG, in line with the Local Government (Audit) Regulations (S.L. 363.02) and applicable procedures.

In addition to financial audits of all local and regional councils, the NAO may also conduct compliance audits, selected on a sample basis. For the financial year ending December 2023, a compliance audit was undertaken of Qala Local Council. The findings of the audit were incorporated in the Report by the Auditor General on the Workings of Local Government 2023. The main concerns related to procurement, since the Council frequently bypassed standard procedures by resorting to direct orders and, very often, acquired services not duly covered by valid agreements. Of note was overspending on events organisation, raising concerns about the prudent use of public funds.

### Challenges encountered in local government audits

The primary challenge encountered by the NAO in local government audits related to the untimely submission of audited financial statements. These statements were required to be finalised by the end of June 2024. However, despite ongoing efforts by the NAO and the Local Government Division (LGD) to follow up with defaulting Councils, the audited financial statements of 11 Local Councils had not been submitted to the NAO by mid-October 2024, which was the final deadline for submission prior to the Report's conclusion and timely publication.

In the majority of cases, the delays were attributed to the respective Council's lack of co-operation with the auditors, hindering the audit's progress. These delays not only diminish the value of the information presented but also undermine the overall relevance of the audit process. This Office deems this situation as totally unacceptable since it demonstrates a lack of accountability on the part of the respective Councils. Addressing this issue remains a priority to ensure that the audit process retains its value and relevance.

### Follow-up audits

The Financial and Compliance Audits Section has once again undertaken a series of follow-up audits to evaluate the level of implementation by the administration of the main recommendations made in various audits conducted in recent years. The findings of these follow-up audits have been compiled in Follow-up Audit Reports 2024 Volume I.

An analysis on the degree of implementation of the respective recommendations was undertaken on past financial and compliance audits focusing on the following:

- Ministry for Health
- Service Pensions
- Housing Maintenance and Embellishment Company Limited
- Malta Industrial Parks Ltd
- Malta Digital Innovation Authority
- Malta Police Force
- Regeneration Works
- Street Lighting and Other Services
- Duty on Documents
- Education Department.

The 2024 follow-up evaluation indicates that approximately 66% of the recommendations analysed by this Office were either fully or partly implemented, or were in the process of being implemented by the entities concerned.

### Impact

The financial and compliance audits conducted in 2024, which reviewed the management of public funds during the financial year 2023, had a significant impact on improving accountability and financial discipline in the public sector. These audits assessed whether public institutions operated in compliance with legal and regulatory frameworks, and whether funds were used efficiently and for their intended purposes.

The audit findings highlighted critical gaps, mostly weak internal controls and procurement irregularities. In response, several entities implemented corrective measures and strengthened oversight mechanisms. This not only ensured that financial irregularities were addressed but also contributed to broader governance reforms. Several follow-up audits were also performed. These are crucial to ensure that previously identified issues are effectively addressed, thus fostering ongoing improvement and a more robust operational framework.

## Outlook

In 2025, the Financial and Compliance Audits Section will be embarking on a number of internal initiatives aimed, among others, to update the audit procedures already in place and to enhance the quality and relevance of the reports issued by the Section.

One of the important projects refers to the updating of the Compliance Audit Manual, a project that will be outsourced to a specialist private auditing firm. The assignment entails a thorough review of the foregoing manual, to identify any gaps in the methodology currently being used and to update this manual in line with ISSAI 4000 and best practices.

Within the Financial and Compliance Audits Section, some officials are currently engaged in financial audit work alongside their compliance audit responsibilities. An internal restructuring process is underway with the aim of establishing a

dedicated unit focused specifically on the audit of the Government's Financial Statements. This unit would also enhance the section's capacity to eventually undertake financial audit engagements across the broader public sector, should the need arise.

In the coming months, the Financial and Compliance Audits Section will also be involved in providing its insights in the technical support project being funded through the Technical Support Instrument Programme. Through this EU-funded project, the NAO will be enhancing its audit quality, aiming to create a more effective audit system which will further promote accountability, efficiency and responsiveness in the public service and/or sector.

Officers from the Financial and Compliance Audits Section will continue to participate in the Action Teams set up to assist in the implementation of the NAO's strategic plan for 2024-2028.



## 66% of Auditor General's recommendations completed

*Auditor General Charles Deguara has reported on ten occasions in past years that two thirds have been heeded and have been or are being implemented either by Ministries or Government entities.*

*A volume issued by the NAO identifies these verifications and evaluated their implementation.*

*In a report tabled in Parliament the NAO reported that from 85 recommendations, 51 have been fully or almost fully implemented; five have made significant progress and 12 little or none while 11 have not been implemented and six others are no longer applicable.*

**TVM, 26 June 2024**

# Performance Audits

## Audits completed in 2024

4



audits

18



recommendations

### Areas audited



recreation, culture and religion, general public services, economic affairs

## Follow-up audits completed in 2024



4

audits followed up



59

recommendations followed up



27

recommendations fully implemented



21

recommendations partly implemented or demonstrating significant progress



11

recommendations showing insignificant progress or not implemented

## Performance Audits

### Section Overview

The Performance Audits Section undertook the following performance audits in 2024:

- a. Performance Audit on the Operations of Jobsplus' Law Compliance Unit
- b. Preliminary Review: Leasing of Private Property by Government (Joint audit with the Financial and Compliance Audits Section)
- c. High-Level Review: Enemalta plc's Planning and Investment in the Local Electricity Distribution Network
- d. Evaluating the role of the Malta Film Commission in promoting the Maltese film industry

The objectives and key findings of these performance audits are presented in the following paragraphs.

#### Performance Audit on the Operations of Jobsplus' Law Compliance Unit

This review sought to determine whether Jobsplus is comprehensively tackling its remit and responsibilities related to providing employment services in an efficient and effective manner. In order to establish this, the NAO set the following three main objectives:

- a. To determine whether the Law Compliance Unit (LCU), responsible for appointing inspectors to enforce regular employment, is adequately resourced to carry out its mandate efficiently and effectively.
- b. To establish whether the Unit's inspectorate effort is allocated efficiently.

- c. To verify whether the LCU's enforcement operations are acting as a significant deterrent to irregular employment across various local work industries.

During this review, the NAO observed that the overall performance of the LCU inspectors is generally satisfactory. Notwithstanding, this Office expressed concerns over the resistance to change in work practices among the inspectorate staff, which is seen as an obstacle to expanding and enhancing the LCU's inspectorate presence.

This study also revealed that the IT tools at the LCU's disposal exhibit certain limitations and, while Jobsplus' Management acknowledged the existence of workaround solutions, they also further highlighted that system upgrades are currently in progress to address these issues.

This review also demonstrated that the LCU's current legislative framework requires revision. While acknowledging an increase in applicable penalties, this Office noted that the Unit has not conducted an assessment to determine whether these penalties are sufficient to serve as an effective deterrent.

#### Preliminary Review: Leasing of Private Property by Government

In past years, various government entities have increasingly leased premises from the private sector to address growing space requirements, and enhance client services and interface. This trend was mainly due firstly to the expansion of government services and the establishment of new government entities, and, secondly, to the lack of readily available state-owned properties that could adequately meet the current and future needs of government entities.

Although government owns a number of unutilised properties, the Lands Authority contends that the majority of these buildings require extensive refurbishment, which cannot be completed within a short timeframe. Within this context, the NAO initiated this preliminary review to determine the extent to which government's practice of leasing private property represents value for money. Therefore, the NAO sought to:

- a. assess whether the appropriate procedural framework governing the leasing of private property by government entities is in place;
- b. determine the accuracy and completeness of the Lands Authority's information on public properties available for potential use by the different government entities, and which could potentially meet the latter's needs; and
- c. identify and analyse the characteristics of the private properties being leased by government entities.

The study found that the practice of leasing private properties for daily operations by government entities has increased over the years. Consequently, the Procurement of Property Regulations (S.L. 601.12) was introduced in 2020 to better regulate the procurement of property, addressing a gap that previously existed under the Public Procurement Regulations (S.L. 601.03).

The drive to lease property from the private sector is two-pronged. On the one hand, government entities opted for leased properties due to insufficient office space and the need for better locations. On the other hand, the condition of Government-owned property and associated operational issues were hindering government entities from making use of unutilised government property.

This study has uncovered various governance concerns, more specifically related to compliance with the regulatory framework, economy, efficiency and effectiveness in managing leasing arrangements, as well as accountability and transparency concerns. These elements affect the degree to which a number of leasing arrangements could be considered as optimal and conducive to value for money. By examining these factors, the NAO aimed to improve the management and utilisation of leased properties within the public sector, ensuring that leasing decisions are justified and aligned with good governance practices.

#### High-Level Review: Enemalta plc's Planning and Investment in the Local Electricity Distribution Network

Enemalta plc is the designated distribution system operator and the sole supplier of electricity to final customers in Malta. The generation of electricity is open to third-party entrants and the existing generation installations are mainly owned by third parties.

Acknowledging the importance of a reliable and efficient electricity distribution network for Malta's economic and social well-being, the power outages experienced during July 2023, during a week of record high temperatures for Malta, raised several concerns, leading to public outcry and significant media coverage. This incident underscored the need to assess the robustness and resilience of the local electricity distribution network.

The report presented an analysis of the national high voltage network's performance between 2014 and 2023. Findings show that the power outages experienced in July 2023 were due to widespread

faults throughout the network rather than a single point of failure.

On the other hand, the review noted a downward trend in capital expenditure invested in the high voltage network during the scoped period. In addition, network development plans reviewed by the NAO did not meet all the benchmarked criteria.

### Evaluating the role of the Malta Film Commission in promoting the Maltese film industry

The Malta Film Commission (MFC) aims to promote Malta as a world-class film production destination within the competitive global high-value film industry. The NAO sought to determine the extent to which the MFC operations, such as financial schemes and initiatives, in particular the 2022 Malta Film Week (MFW), upheld value for money and good governance principles.

The study found that the 2022 MFW was not sufficiently supported with comprehensive documentation, particularly feasibility studies, plans and predetermined goals. While some basic documentation, such as budgetary request templates, was available, a formal strategy valid up to 2030 had not been developed. This limited the opportunity to align the event with Government's strategic vision and goals.

The NAO acknowledged that the MFW event took place during the Covid-19 pandemic, which introduced challenges and restrictions to administrative operations. However, it also noted that the MFC did not maintain detailed records of several meetings held with other Ministries and the Commission's Board.

To manage the event, the MFC resorted to direct orders to acquire services from renowned artists and to hire technical equipment. Some of these direct

orders lacked the necessary approvals, while some others received a qualified approval from the Ministry for Finance. Moreover, at the time of this review, the most recent audited financial statements presented to Parliament pertained to 2019. This and the above findings point to shortcomings in the MFC's corporate governance.

Between 2018 and 2022, the MFC effectively attracted film productions to Malta, largely through financial incentives like the 40% cash rebate scheme. This review generally supports MFC's estimates of the scheme's positive impact on the Maltese economy, including production spending, gross value added, job creation and tax revenue. However, the NAO emphasises that determining the level of investment in film production is ultimately a policy decision, requiring consideration of resource opportunity costs, socio-economic goals and the industry's potential to diversify Malta's economic landscape.

### Follow-up Reports by the Performance Audits Section

The NAO conducted the following four follow-up audits, which were published in Volume II of the National Audit Office Follow-up Audits Report for the year 2024:

- a. A Strategic Overview on the Correctional Services Agency's Operations at the Corradino Correctional Facility
- b. The Effectiveness of Plastic Waste Management in Malta
- c. Assisting Individuals with Dementia and their Caregivers within the Community
- d. The COVID-19 Pandemic – Business Continuity within the Public Administration

The follow-up audits revealed that 81% of the recommendations made in the original performance audits were either fully or partly implemented, or

were in the process of being implemented by the respective public sector entities.

### Other developments

In line with the Office’s strategic objectives to address environmental issues and sustainable development, as well as considering the transboundary implications involved, the Performance Audits Section has actively participated in international initiatives, including parallel and joint audits. These included:

#### INTOSAI Development Initiative: Climate Change Adaptation

The Co-operative Audit on Climate Change Adaptation Actions (CCAA) is a global project co-ordinated by the International Organisation of Supreme Audit Institutions Development Initiative (IDI) in collaboration with the INTOSAI WGEA and other key stakeholders. More than 50 SAIs from around the world are participating in this initiative. An innovative aspect of this programme is that participants in this global audit are also benefiting from specialised training in climate change auditing provided by IDI.

This global initiative requires participating SAIs to complete their national reports on climate change

adaptation. Subsequently, a joint report will be published, consolidating the conclusions reached on a national level. At the inception of this initiative, SAIs were given the opportunity to identify a specific area of focus. The NAO has chosen to concentrate on flooding and sea-level rise as the core areas for its climate change adaptation audit.

#### Global Project: ClimateScanner Rapid Review

The ClimateScanner Rapid Review is a global initiative that aims to support SAIs in assessing national climate actions, policies and governance structures. It provides a structured approach to evaluating climate-related risks, financial management and policy effectiveness, helping SAIs enhance accountability, transparency and performance in climate governance. This initiative is being led by SAI Brazil in collaboration with other SAIs and various international partners. During 2024, the NAO participated in the EUROSAI Auditors’ Training related to this initiative.

#### Joint Audit: Interreg Italy-Malta

In April 2024, NAO Malta and the Italian SAI Corte dei Conti took a significant step towards strengthening their collaboration by formalising their co-operation by means of a Bilateral Agreement. This



*Signing of Memorandum of Understanding between NAO Malta and the Italian SAI Corte dei Conti in April 2024*

Memorandum of Understanding (MoU) between the two SAIs serves to provide a structured framework for the undertaking of joint audits. Moreover, it aims to facilitate reciprocal assistance towards improving work systems, methodologies and organisational practices.

To this end, the first assignment undertaken under the MoU related to a joint audit on a topic of mutual interest to both countries, given its cross-border implications. In this regard, the SAIs identified the implementation of the Interreg Italy-Malta V-A 2014-2020 and the design of the VI-A 2021-2027 programmes as the focus of its first joint performance audit.

#### Parallel Audit: Preparedness of Governments for an Ageing Population

During 2024, the NAO commenced collaborative work on the Parallel Audit: 'Preparedness of Governments for an Ageing Population'. This challenging assignment is being led by SAI Israel and involved the participation of eight other SAIs (Albania, Lithuania, North Macedonia, Malta, Paraguay, Poland, Portugal and Slovakia). The parallel audit focuses on four areas: Comprehensive Governmental Plans and Budgetary Aspects for an Ageing Population; Preparing the Health System for an Ageing Population – Community-based Elderly Care; Preparing the Welfare System for an Ageing Population – Well-being and Quality of Life After Retirement; and Preparing the Pension System for an Ageing Population.

The parallel audit highlights the added value of a holistic approach to addressing ageing-related challenges and aims to establish a comprehensive framework that addresses the challenges of an ageing population. By combining the findings and good practices from each participating SAI, the audit will enable governments and programme providers to integrate better and streamline services more efficiently for their ageing populations.

#### Challenges encountered

During the course of its work, the Performance Audits Section faced various limitations, primarily related to methodological issues, data structure limitations, as well as the non-availability of information. These challenges either limit the scope of the audits or necessitate mitigation action to ensure that findings and conclusions remain robust and reliable. Reduced scope affects the depth and breadth of analysis, while mitigation strategies often result in extended timeframes for the completion of the audit assignments, which result in additional utilisation of NAO resources.

#### Impact

The performance audits published in 2024 instigated various initiatives aimed at improving public service delivery. These audits have prompted several public entities to strengthen their operations and address identified areas of improvement. Jobsplus was in the process of upgrading its IT system to enhance its inspectorate and monitoring function to strengthen its implementation and enforcement of employment legislation. Enemalta plc has expedited the upgrading of the local electricity distribution network through significant capital investment. The MFC is taking steps to improve its corporate governance. In part, this includes conducting feasibility studies and evaluating the outcomes of major promotional events in collaboration with the film industry in Malta. The NAO is also following up on the findings and conclusions related to Government's leasing of private property by homing in on some of the material issues in its performance audit work with the aim of rendering this function more cost-effective.

Similarly, the follow-up performance audits also noted positive developments in public service efficiency

and effectiveness. A case in point relates to the action taken by the competent authorities to improve waste management. WasteServ Malta Ltd has implemented a differentiated gate fee system, which has successfully met the objectives of the NAO's recommendation by creating a fee structure that aligns with the full costs of waste management.

Another positive development identified during a follow-up performance audit concerns the training courses provided by the Correctional Services Agency for its correctional officers. These courses cover a number of aspects relating to the care and rehabilitation of inmates, including mental health first aid, dialectical behaviour therapy, assessing and managing suicide risk, and cognitive behaviour therapy.

## Outlook

The Performance Audits Section is embarking on various projects aimed at enhancing the quality and impact of its audit work. In 2024, the Section expanded its workforce with the recruitment of two full-time auditors. This growth continued in 2025 with the addition of another three full-time auditors. The increased resources will permit the Performance Audits Section to enhance its auditing coverage, the undertaking of training initiatives and the implementation of various initiatives aimed at the continued development of performance audits.

To ensure that performance audit work consistently adheres to international standards, this Section is in the process of updating its auditing manual. This update incorporates the latest developments in performance auditing and introduces audit process improvements to further enhance efficiency, the quality of working papers and internal accountability.

These initiatives are complemented and supported by various other office-wide initiatives, particularly the work of the Action Teams set up to assist in the implementation of the NAO's strategic plan for 2024-2028.

Staff training and development is also a key element that will continue to further improve the quality of performance audits. To this end, Principal Auditor, Ing. Elton Camilleri, graduated as an IDI Certified SAI Performance Auditor, enhancing the Section's technical expertise. Another critical element of development relates to nurturing leadership skills within the Section, as evidenced by the participation of the Principal Auditor, Mr Karl Galea, in the IDI's programme SAI Young Leaders. Other team members are also pursuing courses in various academic disciplines relevant to performance audit work.

The Performance Audits Section's commitment to enhance its product to achieve wider, more sustainable impact of its work is aided through the Section's participation in international fora focusing on the development of standards and training modules. This engagement facilitates the adoption of novel approaches within the Performance Audits Section. To this end, Audit Manager, Mr Simon Vassallo, is an active member of the Performance Audit Subcommittee (PAS) which falls under the umbrella of the INTOSAI Professional Standards Committee. PAS brings together international experts to develop and maintain standards and methodological guidance for performance auditing. Additionally, AAG, Mr William Peplow, contributes to the Chartered Institute of Public Finance and Accountancy (CIPFA) Performance Audit Qualification Steering Group, which focuses on drafting a specialised training programme tailored to performance audits. Additionally, Principal Auditor, Mr Keith Gauci, a previous graduate of the Professional Education for Supreme Audit Institutions Auditors (PESA) qualification, is involved in the IDI working group responsible for developing continued professional modules as part of this programme.

# Special Audits and Investigations

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## Audit completed in 2024

1



audit

Area audited



General Public Services

## Audits in progress in 2024

3



audits

## Other work



Revised NAO Code of Ethics

## Special Audits and Investigations

### Section Overview

The Special Audits and Investigations Section published the following report in 2024:

- a. An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park

The key audit findings that emerged from the audit relating to the contract for the provision of food and beverage services at the Malta Life Sciences Park centred around the request for proposals issued and the lease agreement subsequently entered into between Malta Digital Hub Ltd, a government-owned company and subsidiary of Malta Enterprise, and a private operator. The audit revealed that the request for proposals lacked detailed site plans and failed to clearly specify that Malta Enterprise was leasing a site rather than procuring a service. While the evaluation process adhered to the established conditions, it exhibited shortcomings, including documentation gaps and evidence of the premature notification of bid success. The lease agreement transferred the property as is; however, this condition was not explicitly stated in the request for proposals, resulting in ambiguity regarding the responsibility for necessary adaptations.

The private operator faced delays in commencement due to defects in the premises and permit-related issues, with some works conducted without prior sanction. The audit identified discrepancies in the site's planning permit and noted that the private operator continued operating without a valid licence for years. Additionally, the operator's failure to pay rent and other charges constituted a breach of the lease, with legal proceedings between the parties ongoing at the time of reporting.

## Developments

Throughout 2024, the Special Audits and Investigations Section concentrated its effort on three fronts. First is the audit relating to the Government's rescission of restrictions on the site of the Fortina Hotel. Significant progress has been registered in this respect. Second is the work undertaken in relation to the Marsa junction project. Here, the Section's attention has been directed towards the evaluation of the tender of works and the subsequent assignment of the contract awarded. Third, the Section is reviewing Government's grant of public land in connection with the American University of Malta project. The last two audits were requested by the PAC, whereas the first-mentioned audit was triggered by a request received from the public.

The audit requests assigned to the Special Audits and Investigations Section by the AG relate to the Magħtab waste-to-energy incinerator project, a review of matters connected with Identity Malta's management of the national identification and residence permit systems, several transactions involving public land and the concession to develop Evans Building.

Aside from this core work, the Section supported the PAC in its work on audits. Several meetings were held by the Committee in connection with the audits of the contracts awarded to ElectroGas Malta Ltd and on the implementation of Sustainable Development Goal (SDG) 2, which focused on Malta's efforts at reducing the prevalence of obesity.

In 2024, the Section made significant progress in reviewing the NAO's Code of Ethics. This initiative aimed to ensure that the Code remains aligned with best practices in the field of public sector auditing while reinforcing the Office's commitment to ethical governance. The revision process began with a comprehensive review of the existing Code, drawing

on best practices from other SAIs, relevant ISSAIs and other reference materials.

A draft Code was developed and subsequently circulated among all staff for consultation. This extensive feedback process commenced in early 2024 and concluded in mid-2024, with staff engagement proving instrumental in refining the document. As of the end of 2024, the process of reviewing the Code was nearing finalisation, pending senior management review.

As the review nears completion, a specifically established Action Team has commenced work on developing key supporting policies, including the Whistleblowing Policy, the Staff Assistance Policy, the Staff Rotation Policy and the NAO Revolving Door Policy. These efforts aim to ensure the creation of a comprehensive, robust ethical framework, reinforcing the NAO's commitment to transparency, accountability and professional integrity.

### Challenges encountered

The most significant challenge faced by the Special Audits and Investigations Section in 2024 was a severe staff shortage. As at end 2024, the complement of staff deployed to and actively working, including management personnel, consisted of only four full-time equivalent employees. The several requests for audits received from the PAC, civil society organisations and the public put further strain on the Section. This problem was addressed through the recruitment of five full-time auditors in 2025, which alleviated the strain and bolstered the Section's capacity to respond to audit requests more efficiently.

### Impact

The work carried out by the Special Audits and Investigations Section in 2024 contributed meaningfully to promoting transparency, accountability and good governance across the public sector. All audits undertaken were prompted by the PAC or by the public, and they essentially revealed administrative shortcomings in internal controls, procurement processes and compliance with applicable legislation. Beyond identifying these shortcomings, the Section's work served a preventive function by highlighting the consequences of poor governance and reinforced the importance of due diligence and legal compliance. By uncovering irregularities, the Section strives to send a strong signal across government entities about the risks of mismanagement and the importance of internal accountability mechanisms.

### Outlook

Looking ahead, the Special Audits and Investigations Section will be operating with enhanced capacity following the recruitment of additional full-time auditors in 2025. This development is expected to significantly improve the Section's responsiveness to audit requests, enabling it to maintain its strategic focus on issues of national relevance. Special emphasis will be placed on improving audit methodologies to ensure more timely and comprehensive reporting. Furthermore, the Section will continue to work to ensure that its audits contribute meaningfully to parliamentary scrutiny and public debate. As part of its commitment to continuous improvement, the Section also intends to contribute to the ongoing implementation of the NAO Strategy for 2024-2028, particularly in areas related to ethics, transparency and governance.

# IT Audits and Operations

## Audit completed in 2024

1



audit

16



recommendations

Area audited



General Public Services

## Follow-up audit completed in 2024



1

audit followed up



14

recommendations followed up



3

recommendations fully implemented



5

recommendations partly implemented



6

recommendations not implemented

## IT Audits and Operations

### Section Overview

The work undertaken by the IT Audits and Operations Section in 2024 comprised the conduct of IT audits, the management of IT operations and the publication design of NAO reports. The following paragraphs provide a detailed overview of achievements in each of these areas.

### IT Audits

During 2024, the IT Audits Unit carried out the following audits and initiatives:

- a. Information Technology Audit: Document Management Systems across Government.
- b. Follow-up Report on the IT Audit – IT Asset Management across Government Ministries and Departments, originally issued in November 2021.
- c. Assisted in the compilation of the NAO Audit Risk Register by designing and developing an online survey aimed at collecting risk-related insights from completed audits to create a centralised risk database.
- d. Assisted in the execution of the Preliminary Review; Leasing of Private Property by Government performance audit by compiling the results of the online survey carried out in this audit.
- e. Assisted in the compilation of data for the follow-up report on Covid-19 pandemic – Business continuity within the Public Administration.

- f. Contributed to an ongoing internal data analysis project, developing code using a high-level general-purpose programming language for data cleaning on a large internal dataset, in preparation for the subsequent data analysis process currently underway.

The objectives and key results of the horizontal information technology audit on Document Management Systems across Government are presented in the subsequent paragraphs.

### Information Technology Audit: Document Management Systems across Government

The aims of this audit were for the Office to attain a comprehensive understanding of Government document management practices and, subsequently, to assess various aspects of document management systems across different Ministries and departments.

The audit focused on the following objectives:

- a. To evaluate how documents are managed throughout their entire lifecycle from initial creation, storage, retrieval and eventual disposal.
- b. To review whether existing document management systems and practices adhere to established policies, guidelines and legal requirements.
- c. To identify both the strengths in current document management practices and areas that require improvement with the goal of enhancing overall efficiency, transparency and regulatory compliance across Government operations.

The key findings of the Report included the need for a centralised data governance body to promote standardised guidelines, facilitate data sharing and offer ongoing training for public service employees. The NAO highlighted the importance of integrating existing paper records into the Central Electronic Document Management System and recommended the establishment of a dedicated Task Force to oversee this challenging process.

### IT Operations

Throughout 2024, the IT Operations Unit of the IT Audits and Operations Section remained actively involved in the continuous monitoring and maintenance of all the NAO IT systems and infrastructure. Additionally, the Unit managed supplier relationships for IT services provided by third parties. Furthermore, this Unit handled several other tasks, including the:

- a. **Windows 11 Upgrade Process** – Upgraded laptops that met Windows 11 hardware requirements and identified all non-compliant laptops for future replacement.
- b. **Migration to the new NAO website** – Provided project management oversight for the migration to the new NAO website, assisting the supplier throughout the migration process to ensure a smooth transition.
- c. **Desktop Publishing Software Updates** – Managed hardware and software updates of the personal computers and laptops used in the desktop publishing of NAO reports.
- d. **Event Support** – Provided technical support during the EUROSAT WGEA and EUROSAT Travelling Club of Experts meetings, including

photographic services and social media uploads of event-related materials.

- e. **IT Equipment Removal and Reinstallation** – Removal of all IT and phone-related hardware in preparation for the Annex building refurbishment. The Unit also managed the reinstallation of these assets on completion of the works.
- f. **Procurement of IT Hardware** – Managed the procurement of IT hardware to replace outdated equipment and provided the necessary tools for the new employees.
- g. **New Employee IT Setup** – Installed and configured laptops for new employees, setting up essential accounts, such as email, internet access and NAO login credentials.

### Publishing

Finally, the Publishing Unit of the IT Audits and Operations Section successfully completed the desktop publishing of ten NAO audit reports and the NAO Annual Report and Financial Statements, as well as the video-clip issued thereto. In addition to the desktop publishing of NAO reports, the Publishing Team was also responsible for designing other materials, including adverts, conference materials and the 2025 NAO calendar.

### Challenges encountered

Throughout 2024 the IT Audits and Operations Section's resources were allocated on the following range of tasks:

- a. Audits, including a horizontal IT audit, a joint audit, as well as the follow-up of both an IT audit and a joint audit.

- b. Technical assistance in the compilation of the NAO Audit Risk Register, as well as the ongoing data analytics project.
- c. Active participation in various international events, which included delivery of presentations and assistance with preparations.
- d. Desktop publishing of all NAO publications, content management of all the NAO social media pages and the website upgrade.
- e. Maintenance of all the office network infrastructure and implementation of planned system upgrades.
- f. Provision of both desktop- and event-related support.

All the above was made possible by a very small team of highly dedicated, competent employees. The main challenge faced was related to the allocation of the limited resources in times of peak loads.

### Impact

The impact of the audit work was evidenced by the interest shown in the Information Technology Audit: Document Management Systems across Government. In fact, the second edition of the 2024 EUROSAI IT Working Group newsletter and the National Archives Annual Report both featured an article on this audit. Furthermore, the NAO was requested to deliver a presentation on this audit during the 18th Records Management forum, organised by the National Archives.

In 2024, the Government published its Annual Report, entitled Action on the NAO's Annual Report on Public Accounts 2022 and other NAO Reports 2023, which

included the actions taken by Government on the recommendations included in IT audits carried out by the NAO in 2023 at the Active Ageing and Community Care (AACC), Malta Food Agency (MFA) and a follow-up audit on Information and Communications Technology (ICT) in local councils. Below is a very concise summary of the improvements mentioned in the report following the publication of the above-mentioned audit reports.

The NAO's IT audit of the AACC assessed infrastructure, data security and risk controls, recommending improvements. The AACC responded by enhancing IT staffing, physical and digital security, and compliance with data management standards. Key systems, such as the Case Management System, were upgraded, and staff training on IT and security was expanded. Additionally, the report noted that the AACC introduced a system that allows its clinicians to access patient information from Mater Dei Hospital (MDH). When a patient is transferred from MDH to one of the residential homes operated by the AACC, clinicians are granted access to the patient's medical records, including clinical history and other relevant information stored at MDH.

With regard to the IT audit of the MFA, which focused on the Pitkalija Market, the NAO recommended improvements in cybersecurity, business continuity and data management. The MFA responded by increasing backup systems, enhancing physical and digital security, and training staff in cybersecurity. Efforts were also made to promote online payments, clean data and modernise infrastructure. A Business Development Team was formed to boost the MFA's digital presence and rebranding initiatives.

The follow-up audit on ICT in local councils conducted by the NAO in 2023 assessed progress since the publication of the original audit in 2020, highlighting several strategic actions by the LGD. The Division

introduced ICT training plans and is in the process of centralising systems like payroll and customer support, and enhancing asset management and intranet use. Efforts are also underway to unify accounting software, websites and live streaming standards across councils. These initiatives aim to improve efficiency, transparency and service delivery in line with the 2023-2030 strategic vision.

With regard to desktop publishing, it was noticed that the infographics being designed by the Publishing Unit provided audit teams with suitable tools to communicate audit results to a variety of audiences in a concise, clear way. This was evidenced in one of the presentations on SDGs given at the PAC Network Meeting held in Parliament in 2024.

The excellent work undertaken by the IT Operations Unit was evidenced by:

- a. the smooth running of NAO international events organised in 2024;
- b. the successful completion of the refurbishment of the Annex building with the related removal and reinstallation of IT assets in the building; and
- c. the numerous upgrades and configuration tasks carried out on NAO IT assets with minimal disruption.

## Outlook

Apart from audit-related tasks, the team will be working on:

- a. a new IT Audit Manual, which will serve as the guideline for all future IT stand alone, joint and follow-up audits conducted by the NAO;
- b. internal data analytics and Risk Register initiatives; and
- c. the possible audit of an AI system in Government.

With regard to publishing, following adequate training, the team will be looking into the possible inclusion of interactive features in the NAO documents uploaded on the Office's social media pages.

From an IT operations perspective, apart from ongoing maintenance and support, the team will be working on:

- a. desktop operating system upgrades;
- b. the outsourced development of a Recommendations Tracker;
- c. the review of options for the secure use of AI tools within the Office;
- d. preparations for two major international events being hosted by the Office in 2025; and
- e. website upgrades.



## Malta's Auditor General signs agreement with that of North Macedonia

*Speaking at the National Audit Office, Charles Deguara, Auditor General, said that the agreement marks the beginning of a series of commitments aimed at creating collaboration and an exchange of expert knowledge and experiences between the two national audit institutions.*

*He described the bilateral agreement as an example of the commitment to strengthen the responsibility, transparency and efficiency of the administration of the two Offices.*

**TVM, 23 March 2024**

# Finance and Administration

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## Income

€4,000,000	government subvention
€3,218	bank interest receivable and other income



## Expenditure

€3,203,051	salaries and personnel expenses
€535,490	administrative and other expenses
€319,427	subcontracted audit fees of local councils
€36,013	provision for service pensions and gratuities



## Loss

€90,763	loss for the year
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## Assets, Liabilities and Reserves

€1,580,396	total assets under administration
€381,702	non-current assets at net book value
€1,198,694	current assets
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€705,634	total liabilities
€143,195	non-current liabilities
€562,439	current liabilities
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€874,762	reserves

## Finance and Administration

### Section Overview

The Finance and Administration Section functions as the backbone of the Office, managing a broad spectrum of essential responsibilities. These encompass the following areas:

- a. **Finance Management** – Managing government subvention funds, preparing budget plans and effecting payments.
- b. **Accounting** – Maintaining financial records and overseeing financial reporting.
- c. **Human Resources** – Administering payroll, managing time and attendance and performance appraisals, facilitating learning and development opportunities, overseeing recruitment and promotions, and ensuring compliance with the provisions of the Collective Agreement.
- d. **Administration** – Overseeing logistics, managing the asset inventory, ensuring data protection, maintaining health and safety standards, handling registry, archiving and public relations.
- e. **Software Management** – Managing the following systems:
  - SAGE Pastel Evolution – An integrated system linked with the SEPA Payment Mechanism and a Fixed Assets Inventory System, used for accounting, financial reporting, payments and asset management.
  - Indigo – A system dedicated to payroll, time and attendance, and human resources-related functions.

- Panorama Necto (eunoia) – A tool used for monthly monitoring and analysis of timesheets.
- IDI StOry Platform (Lucidity) – A system for managing the NAO Strategy and tracking progress on audit plans.
- Corporate Travel Management System – A platform for managing travel advances.

In 2024, the Finance and Administration Section managed a budget allocation of €4 million from Central Government funds, which was utilised to cover the Office’s operational and capital expenditure.

### Achievements

In the past year, the Finance and Administration Section achieved several milestones, demonstrating its commitment to the continuous improvement of human resources functions and internal workflows. These included:

- a. Recruitment and Career Progression
  - Issued calls and managed the selection process for key positions including:
    - Assistant Auditor General (Financial and Compliance Audits Section)
    - Liaison Officer (International Affairs)
- b. New Auditor Recruitment
  - Managed the recruitment of Senior Auditors across various sections:
    - Five for the Special Audits and Investigations Section
    - Three for the Performance Audits Section
    - Four for the Financial and Compliance Audits Section
  - A total of 12 new auditors commenced duties in 2025.

- c. **Equality Pay Mark Certification**
    - In addition to the Equality Mark, the Office was among one of the first organisations to obtain the Equal Pay Certification, valid for three years from 28 February 2024. This achievement reinforces the NAO's commitment to equal pay for work of equal value.
  - d. **Building Extension Project**
    - Planning Authority approval was obtained in January 2024. Initial works, including the construction of the car park, commenced between March and April 2025.
  - e. **Training Co-ordination**
    - In collaboration with the Financial and Compliance Audits Section, the Finance and Administration Section co-ordinated the second part of the CIPFA training programme on International Public Sector Accounting Standards (IPSAS). This training, delivered by the consultant from the United Kingdom (UK), Ms Manj Kalar, took place from 26 February to 1 March 2024.
- a. **Building Extension Project** – Ensuring the timely, cost-effective execution of the project while minimising operational disruptions.
  - b. **Human Resources Development** – As the Office continues to expand its auditing operations, particularly in financial auditing, there is a growing need for enhanced human resources strategies. These strategies must align with the Professional Competency Framework to effectively recruit, train and retain skilled auditors.
  - c. **Collective Agreement Renewal** – The current agreement expired in December 2024. Negotiations are underway with the Union to secure a fair salary package for all staff members.

## Outlook

Looking ahead, the Finance and Administration Section is set to take on a more strategic role in corporate planning. By leveraging its financial and administrative expertise, the Section aims to make a meaningful contribution to the continued growth and innovation of the Office. With a strong commitment to best practices in financial management and human resource development, the Finance and Administration Section strives to become a benchmark of excellence within the public sector.

## Challenges encountered

The Finance and Administration Section is currently addressing the following key challenges:



### Good governance is a priority for the MDB and the NAO

*While the bank is not subject to NAO scrutiny except where government funds are directly deployed, the NAO has carried out general, national audits on such topics as digitalisation, the green economy, climate issues and the circular economy, which also happen to be priority areas for the MDB.*

**The Malta Business Weekly, 8 May 2024**

## Stakeholder Relations

The NAO recognises that strong, sustained relationships with both internal and external stakeholders are essential to fulfilling its constitutional mandate effectively. These relationships form the foundation for promoting the core principles of public sector governance, namely transparency, accountability and integrity. By fostering open lines of communication, building mutual trust and encouraging active engagement, the NAO ensures that its audit work remains relevant, well informed and impactful. Collaboration with stakeholders also serves as a means for mutual co-operation and understanding, which is essential for the NAO to execute its auditing functions effectively and promote public trust.

### Collaboration with local stakeholders

The NAO acknowledges that meaningful collaboration with local stakeholders is vital to the successful delivery of its mandate. Key stakeholders include Parliament, audited entities, including local and regional councils, academic institutions, the media, civil society organisations, non-governmental organisations, the general public and the NAO's employees.

Throughout 2024, the NAO held numerous meetings with officials across ministries and public service departments and entities. These meetings served multiple purposes, including informing auditees of upcoming audits, presenting audit findings, discussing issues of mutual concern, encouraging the implementation of recommendations, addressing cross-cutting challenges and gathering feedback on proposed initiatives.

Beyond its engagement with the administrative branch of government, particularly the leadership of the public service, the NAO also sought to deepen

its collaboration with other key stakeholders. In this context, the Office actively participated in seminars, delivered presentations to various organisations and contributed to initiatives led by a diverse range of entities.

Internally, ongoing engagement with NAO employees helps align objectives, facilitates knowledge sharing and promotes a cohesive approach to auditing practices.

The NAO firmly believes that constructive engagement with auditees and stakeholders beyond the public service enhances the impact of its audits and supports the delivery of meaningful value and benefits to society.

### Auditees

The NAO maintains regular, constructive interaction with its auditees as a core component of the audit process. These engagements are fundamental to ensuring transparency, mutual understanding and the effective implementation of audit recommendations. The following are some of the most relevant meetings held with key auditees and public sector stakeholders during 2024.

- a. On 17 January, the AG and the DAG held an introductory meeting with the newly appointed Director General at the Department of Contracts, Mr Adrian Dalli. The meeting focused on matters of mutual interest.
- b. During a meeting held on 22 May, the AG and the AAG Performance Audits Section briefed the Minister for the Environment, Energy and Regeneration of the Grand

Harbour, the Hon. Miriam Dalli, on initiatives related to climate change. In a brief presentation, the AG outlined the role of SAIs in influencing and encouraging the effective, sustainable delivery of climate initiatives. The AAG provided an overview of the ClimateScanner initiative. The meeting also served as an opportunity to highlight the NAO's involvement in INTOSAI's Global Co-operative Audits of the CCAA. At the time, the Performance Audits Section was finalising the national climate change adaptation audit, which was to contribute to the global audit. An innovative aspect of this programme was the provision of specialised training in climate change auditing to participants, delivered by the IDI. Reference was also made to the EUROSAI WGEA meeting, which was successfully hosted by the NAO earlier in May.

c. The AG and the AAG Performance Audits Section had an introductory meeting with the newly appointed Chief Executive Officer (CEO) of the Climate Action Authority, Ms Abigail Cutajar, and Permanent Secretary within the Ministry for the Environment, Energy and Regeneration of the Grand Harbour (MEER), Mr Joseph Caruana. During the meeting, held on 10 October, the Office reiterated its commitment to addressing climate change, particularly through the work of the Performance Audits Section within the NAO. This was followed by a meeting, held on 11 November, by the AAG Performance Audits Section and his team with Mr Caruana and other officials to discuss the ongoing climate change adaptation performance audit. This audit, which forms part of a broader co-operative audit initiative, focuses on climate-related hazards, specifically flooding and sea level

rise. The meeting provided an opportunity to discuss recent developments, notably the establishment of the Climate Action Authority, revisions to relevant legislation and the challenges faced by the MEER in addressing climate change, particularly given the cross-cutting nature of the issue.

d. On 25 November, the AG held a meeting with the Permanent Secretary at the Ministry for Education, Mr Matthew Vella, to discuss the establishment of a new internal audit team within the Ministry. Given that this Ministry manages one of the largest budgets within the public service, the creation of a dedicated internal audit function represents a significant development. The Permanent Secretary affirmed that, while the new team will maintain ongoing co-ordination with the Internal Audit and Investigations Department (IAID), both parties agreed that this initiative marked a major step forward in strengthening internal controls and governance within the Ministry.

e. The Principal Permanent Secretary, Mr Tony Sultana, presented the AG with the 2023 Governance Action Report, which focused on the NAO's Public Accounts 2022 Report and other reports issued by the NAO in 2023. During the meeting, held on 27 November, Mr Sultana highlighted, as noted in the Foreword of the publication, that "this exercise also ensures that, whenever possible, the recommendations made by the NAO are acted upon and implemented in the most efficient manner". During this meeting, the parties agreed that a protocol between the NAO and the leadership of the public service governing the timely submission of required data and information would be signed in the near future. This protocol was, in fact, signed on 21 February 2025.



*The Principal Permanent Secretary, Mr Tony Sultana, presented the AG, Mr Charles Deguara, with the 2023 Governance Action Report on 27 November 2024*

*Image courtesy of Jeremy Wonnacott — DOI*

f. On 16 December, the NAO senior management held a meeting with the Governance Action Team, including the Director of Governance Action and the Director General (Co-ordination and Implementation) from the Office of the Prime Minister. This team serves as the primary liaison between this Office and the leadership of the public service, and the collaboration between the two continued to yield positive results with several successful initiatives and outcomes achieved during 2024.

### Parliament and its Committees

Effective interaction between the NAO and Parliament, including its committees, is crucial to ensure transparency, accountability and the proper oversight of public resources. This collaboration enables timely communication of audit findings, supports

evidence-based policymaking and strengthens the overall governance framework. One example of this collaboration is the presentation made to the PAC of audits published by the NAO. These were the main exchanges between the NAO and Parliament and its committees in 2024.

a. The NAO actively participated in the PAC Network Meeting 2024, organised by the Parliament of Malta and held at the House of Representatives on 28 November. The meeting agenda included discussions on challenges faced by small PACs, the role of digitalisation and AI in enhancing PAC effectiveness, and the auditing of the United Nations (UN) SDGs. During the event, the Manager IT Audits and Operations Section delivered a presentation on the theme, Assisting PAC Members and Staff through Digitisation and AI. The Liaison Officer International Affairs then moderated the

session focusing on Zero Poverty. This network meeting formed part of the broader collaboration within the Commonwealth Parliamentary Association, specifically the British Islands Mediterranean Region and the PAC Regional Network. The DAG and the AAG Special Audits and Investigations Section also attended the event.

b. On 12 December, the Speaker of the House of Representatives, the Hon. Anġlu Farrugia, paid an official visit to the NAO, accompanied by the Clerk of the House, Ms Eleanor Scerri, and Private Secretary, Mr Ancel Farrugia Migneco. During the visit, the AG presented the Speaker with the Report by the Auditor General – Public Accounts 2023, a statutory publication scheduled for release later that afternoon. In a brief address to NAO staff, the Speaker commended the Office for its excellent work and reaffirmed the Office’s constitutional role in providing Parliament with assurance that public funds are managed in accordance with established rules and regulations. The AG expressed his appreciation for the Speaker’s continued support, as reflected in this official visit. The visit concluded with the Hon. Farrugia meeting NAO personnel present for the occasion, during which he conveyed his personal gratitude for their dedication and commitment.

c. During 2024, the AG attended all meetings of the National Audit Office Accounts Committee during which several resolutions involving public land were discussed. In addition, the Annual Report and Financial Statements of the National Audit Office for the year ending 31 December 2023 and the Financial Estimates of the National Audit Office for 2025 were approved by this Committee on 18 October.

d. Throughout 2024, the AG, DAG, AAGs, and other NAO officials participated in all sessions of the PAC during which various reports issued by the NAO were examined. The Committee reviewed several reports, including An Investigation of Matters Relating to the Contracts Awarded to ElectroGas Malta Ltd by Enemalta Corporation (2018), A Review of the Implementation of Sustainable Development Goal 2: Addressing Pre-Obesity and Obesity (July 2023), and A Review of the Implementation of Sustainable Development Goal 1 – Malta’s Efforts at Alleviating Poverty (December 2020). NAO officials also participated in multiple meetings of the PAC which focused on the review and scrutiny of Government’s investment in sports infrastructure and related activities undertaken over the past five years, and provided feedback in relation to the audit of the Malta National Shooting Range (Report by the Auditor General on the Public Accounts 2019) and the audit of the National Development and Social Fund Investments and Funding of Social Projects (Report by the Auditor General on the Public Accounts 2022). Prior to the commencement of PAC discussions on any specific report, NAO officials delivered a presentation, outlining the key findings and salient points of the report under review, to facilitate the Committee’s deliberations.

### Local Government Division and the Local Councils Association

Strengthening the NAO’s engagement with stakeholders at the local governance level continues to be a crucial and valuable aspect of the Office’s mandate. Interaction with local government structures reinforces accountability, improves the quality of public

service delivery and promotes sound governance at all levels. The NAO's work at the local level has a direct effect on citizens' everyday lives. Key initiatives undertaken in 2024 in support of this objective are outlined below.

- a. On 22 January, the AG, the AAG, a Manager in the Financial and Compliance Audits Section and other NAO officials attended an information session organised by the LGD for Executive Secretaries of local councils. The session focused exclusively on the NAO's Report by the Auditor General on the Workings of Local Government 2023.
- b. On 22 May, the AG and the AAG Financial and Compliance Audits Section held a meeting with the President of the LCA, Mr Mario Fava, and the Director General of the LGD, Mr Emil Vassallo. The discussion focused on key challenges within local government operations, particularly in the areas of human resources management and procurement. A key outcome of the meeting was the consensus to reconvene the Local Government Good Governance Committee. The reactivation of this Committee aims to bring together all major stakeholders to collaboratively address sectoral challenges, including those highlighted in the NAO's Annual Audit Report on Local Government.
- c. The AG and the AAG Financial and Compliance Audits Section participated in the Annual Conference of the National Association of Executive Secretaries of Local and Regional Councils, which focused on the working relationship between regional and local councils. The conference was held on 5 July.
- d. On 4 September, the AG, the AAG Financial and Compliance Audits Section and other

officers on the Local Government auditing team held a meeting with officials from the Finance and Procurement Compliance Directorate within the LGD, Ms Clare Bugeja and Ms Vanessa Azzopardi. The meeting focused primarily on the key deadlines outlined in the annual circular concerning the submission of financial statements by local and regional councils. During the discussions, NAO officials outlined the key concerns raised in the latest Annual Report on the Workings of Local Government, published in 2023.

- e. Throughout 2024, various informal consultations and meetings were conducted with stakeholders within the Local Government Good Governance Committee to review progress on the governance of local and regional councils, particularly the timely implementation of NAO recommendations in the Annual Report on Local Government. These discussions also delved into the Committee's working processes, which engage key stakeholders within the local government sector, namely the LGD, the LCA, the National Association of Executive Secretaries and the NAO. The AG emphasised that addressing many of the recommendations presented in the NAO's reports necessitates co-ordinated collaboration among these four principal entities. The importance of collaborative efforts was highlighted as critical to improving the functioning of local government.

### Educational institutions

Maintaining strong relations with educational institutions is essential for the NAO as it fosters knowledge exchange, supports research relevant to public sector auditing, and helps cultivate

future professionals with a solid understanding of accountability and good governance. These collaborations also ensure that the NAO remains engaged with emerging academic insights and best practices.

a. On 11 January, the Malta College of Arts, Science and Technology (MCAST) journalism students participated in a meeting with the AG and the DAG. This was the third consecutive year such a meeting was held. It provided an engaging, informative opportunity for the students to discuss key elements of the NAO’s public sector audit work, particularly the importance of upholding the credibility of the Office. The AG and the DAG emphasised that the NAO’s work is invariably grounded in the fundamental auditing values of objectivity, truth and evidence-based reporting. The AG also highlighted that the primary objective of the Office’s work is to support and promote good governance across the public sector. The students were accompanied by the Senior Lecturer at the Institute for Creative

Arts within MCAST, Dr Natalino Fenech. A similar visit was made on 18 November by another four MCAST students.

b. On 21 March, the AG presented the NAO Award to Ms Marilyn Scicluna in recognition of her dissertation, titled ‘Boards of Directors’ Effectiveness in Maltese Public Sector Entities: An Analysis’. Her work was judged to be the best dissertation in the area of public sector accounting. This award was presented as part of the Masters in Accountancy Awards (2021-2023), an annual event organised by the Department of Accountancy within the Faculty of Economics, Management and Accountancy at the University of Malta. The event serves to acknowledge and celebrate outstanding academic work by Masters in Accountancy students. On 18 April, Ms Scicluna delivered an in-depth presentation of her dissertation to NAO staff. The session provided valuable insights into governance within the Maltese public sector and was well received by NAO staff.



Meeting with Malta College of Arts, Science and Technology (MCAST) journalism students on 11 January 2024



*Delivery of presentation by Ms Marilyn Scicluna of her dissertation titled 'Boards of Directors' Effectiveness in Maltese Public Sector Entities: An Analysis' to NAO staff on 18 April 2024*

- c. The AG attended the Conference on Constitutional Reform organised by the Department of Public Policy within the Faculty of Economics, Management and Accountancy, in collaboration with the Commission for Justice and Peace of the Archdiocese of Malta. The event, held on 28 September, was hosted at San Anton Palace with the support of Her Excellency the President of Malta, Dr Myriam Spiteri Debono. The conference commenced with an introduction by the Head of the Department for Public Policy, Prof. Mario Thomas Vassallo, and the President of the Commission for Justice and Peace, Arch. Daniel Darmanin. The presentations and panel discussions offered valuable perspectives on constitutional reform. A highlight of the event was an outstanding and highly informative presentation by the academic, Prof. Edward Warrington, on the key aspects of his comprehensive report on this issue.
- d. In November, the Managers in the Performance Audits Section and the Liaison Officer International Affairs led an interactive session for third-year BA (Hons) Social Policy students, as part of their Practice of Evaluation module. The session focused on the role of the NAO, performance audit methodology and the practical challenges encountered in audit tasks. Similarities and differences between performance auditing and evaluation methodologies were also explored. Students had the opportunity to present their ideas for their evaluation assignments and obtain feedback from the NAO representatives. These activities play a crucial role in raising awareness of the NAO's work among university students, enhancing the Office's visibility and fostering interest in public sector auditing as a potential career path.

- e. On 25 November, the AG, the AAG and a Manager in the Performance Audits Section met a third-year student at the University of Malta, Ms Chada Arab, pursuing a degree in Accounting and Public Policy. The meeting was held to discuss Ms Arab's work-based placement with the NAO, scheduled to commence in January 2025. During her placement, Ms Arab was introduced to the Office's operations and received practical experience in the performance audit cycle. As part of her course assessment, Ms Arab produced an extensive report summarising her experience at the NAO.
- f. The AAG Financial and Compliance Audits Section and the AAG Performance Audits Section delivered lectures on Audit and Assurance in the Public Sector to third-year students reading for a Bachelor of Arts (Honours) degree in Public Sector Accounting, organised by the Faculty of Economics, Management and Accountancy at the University of Malta. The AAG Performance Audits Section also delivered lectures on Financial Reporting and the Public Sector to undergraduate students following this course. The AAG Special Audits and Investigations Section delivered lectures to undergraduate students at the University of Malta's Department of Social Policy and Social Work on Governance and Administration in Social Welfare.

### Civil society, non-governmental organisations and the public

Cultivating relationships with civil society organisations is important for the NAO since it enhances transparency, promotes public engagement and strengthens the accountability framework within which public institutions operate. These stakeholders

often provide valuable grassroots insights, highlight emerging issues and support the NAO's role in ensuring that public funds are used effectively, ethically and in ways that respond to societal needs. These are some of such initiatives attended by the AG.

- a. The AG attended a webinar organised by the Society Education on the theme Auditing Corporate Governance on 9 October. The session, delivered by the Head of the IAID, Mr Aidan Massa, offered an insightful overview of the evolution of corporate governance, highlighting key milestones in its development. The presentation also addressed the evaluation of core governance components, the challenges commonly encountered in auditing governance structures and various methodologies used in conducting effective governance audits.
- b. The AG participated in the international conference A Vision for Malta's Future – Explore Public-Private Partnerships (PPPs) Conference 2024, organised by Malta Strategic Partnership Projects on 15 November. Speakers included the Minister for the Economy, Enterprise and Strategic Projects, the Hon. Silvio Schembri, who delivered the keynote address. Other notable contributors were the CEO of Malta Strategic Partnership Projects, Ms Marisa Marmara, the President of the World Association of PPP Units & Professionals, Mr Ziad-Alexandre Hayek, the Principal Advisor at the European Investment Bank, Mr Edward Farquharson, Professor of Economics Philip Von Brockdorff and the CEO of the Malta Development Bank, Mr Paul V. Azzopardi. The conference concluded with closing remarks by the Chairperson of Malta Strategic Partnership Projects, Mr David Matrenza.

c. On 9 December, the AG, together with the Parliamentary Ombudsman, Judge Emeritus Joseph Zammit McKeon, and the Commissioner for Standards in Public Life, Chief Justice Emeritus, Joseph Azzopardi, participated in a meeting organised by Repubblika, a civil society movement, to mark the World Day Against Corruption. During this engagement, each official provided an overview of the functions and responsibilities of their respective oversight institutions.

### Constitutional and other governmental bodies

The participation of the NAO in initiatives organised by constitutional and governmental bodies is vital to promote good governance, transparency and accountability in public administration. As an independent oversight body, the NAO brings a neutral, evidence-based perspective that helps identify risks, inefficiencies and areas for improvement. Its involvement ensures that audit insights inform policy development, foster collaboration among oversight institutions and reinforce public trust in government operations.

In terms of Article 96A of the Constitution, the AG is a member of the Judiciary Appointments Committee, which is chaired by the Chief Justice. The Committee evaluates all candidates responding to *ad hoc* calls for applications to the posts of judges and magistrates, and submits its recommendations to the President of Malta, who subsequently appoints the Members of the Judiciary.

a. During 2024, the AG participated in all the meetings held by the Judicial Selection Committee, in particular those related to the appointment of five magistrates.

b. The AG is also a member of the Co-ordinating Committee against Fraud and Corruption, set up in terms of Article 23 of the Internal Audit and Financial Investigations Act (Cap. 461). The Committee is chaired by the IAID. The AG, assisted by the former Liaison Officer International Affairs, participated in all the meetings and initiatives held by this Committee in 2024.

c. On 19 January, the AG delivered a presentation on the future of PPPs in Malta during a meeting of the Malta Council for Economic and Social Development. The presentation drew on the NAO's experience and insights in this area, providing an informed perspective on the challenges, opportunities and governance considerations associated with PPP initiatives and projects. In his address, the AG highlighted the extensive experience the NAO has gained over the past 15 years through numerous audits of these initiatives and projects. He emphasised that, when properly planned and implemented, these initiatives can create mutually beneficial outcomes for both the public and private sectors. During the subsequent discussion with social partners, there was broad consensus on the importance of ensuring a fair distribution of risks and rewards, as well as the need for meaningful public consultation, particularly during the design and planning phases.

d. On 6 February, the AG attended the thematic lecture titled The Parliamentary Ombudsman Experience: Reflections on the Past and Present. Looking to the Future. The event, held at the House of Representatives, was chaired by the Hon. Speaker, Anglu Farrugia.



*Intervention by the AG, Mr Charles Deguara, during the thematic lecture titled The Parliamentary Ombudsman Experience: Reflections on the Past and Present. Looking to the Future on 6 January 2024*

The keynote address was delivered by the Parliamentary Ombudsman, Judge Emeritus Joseph Zammit McKeon, who reflected on the role of the Ombudsman in a parliamentary democracy. The lecture also featured a presentation by the Parliamentary and Health Services Ombudsman for England, Mr Rob Behrens. His address focused on the role of the Ombudsman and the complex relationship between the Ombudsman, the public administration, Parliament and the public. During his intervention, the AG raised the question of whether Offices of Review should be granted executive powers.

e. On 25 April, the Parliamentary Ombudsman, Judge Emeritus Joseph Zammit McKeon, and the AG signed an MoU to strengthen co-operation between the two Offices. The MoU established a formal framework for collaboration between these constitutional oversight institutions with a focus on enhancing transparency, accountability and integrity across public sector entities. The

provisions of the Memorandum underscored the importance of maintaining professional independence and strict confidentiality in all interactions, while ensuring adherence to best practices and relevant legislative frameworks. In his introductory remarks, the AG emphasised the importance of this milestone, stating: “This is another important day for our two Constitutional Offices, both of which report directly to Parliament and are united in their mission to promote good governance across the public sector, ultimately in the best interest of our citizens.” He also stressed the Offices’ shared commitment to translate this agreement into concrete, practical initiatives to ensure that its objectives were realised. Judge Emeritus Zammit McKeon echoed this sentiment, expressing his satisfaction with the collaborative spirit that characterised the discussions leading up to the agreement.

f. Following the publication of the Proposed Amendments to the Co-operative Societies

Act (Cap. 442) in July, the NAO explored the possibility of contributing to the public consultation process, drawing on its 2019 publication, *An Analysis of Issues Concerning the Co-operative Movement in Malta*. This report had identified persistent structural and operational challenges within the local co-operative sector, notwithstanding the constitutional commitment to its promotion. On 17 September, the Performance Audits Section submitted a formal response to the consultation process. The feedback centred on two critical areas: the necessity to revise the structure of the Apex Organisation to ensure balanced representation of both co-operative associations currently operating in Malta, mitigating risks of inequality and institutional discord; and the identification of potential conflicts of interest arising from proposed funding mechanisms that could render the Co-operatives Board financially dependent on the entities it regulates. Subsequently, on 1 October, the then Permanent Secretary at the Ministry

for the Economy, European Funds and Lands, Ms Nancy Caruana, and the Senior Manager (Project Management), Ms Kim Vella, formally informed the NAO that its proposals had been accepted by the relevant Board and would be incorporated into the forthcoming legislative amendments.

- g. On 21 August, the AG, the DAG and the Manager, IT Audits and Operations Section, attended a meeting with the CEO of the Malta Digital Innovation Authority (MDIA), Mr Kenneth Brincat. During the meeting, Mr Brincat and senior officials of the Authority provided valuable insights into the ongoing efforts of the MDIA to fulfil its extensive and increasingly complex mandate, particularly in the light of evolving technological and regulatory developments at both national and EU levels. Recognising the potential benefits of collaboration between the two entities, the AG underscored the Office's strong commitment to work closely with the MDIA in areas of mutual interest, including



*Signing of Memorandum of Understanding between Parliamentary Ombudsman, Judge Emeritus Joseph Zammit McKeon, and the AG, Mr Charles Deguara, to strengthen co-operation between the two offices on 25 April 2024*

AI, which holds significant potential for enhancing public sector auditing.

- h. In July and August, the Special Audits and Investigations Section and the Performance Audits Section prepared a Brief on the consultation document published in June 2024 by the Superintendence of Public Health on a Policy Framework for the Prevention of Non-Communicable Diseases and the Promotion of Wellbeing. The Office's interest in this matter was driven by its socio-economic significance and the considerable financial strain on public resources associated with the management and treatment of non-communicable diseases. The Brief considered the high-level review published in 2023 on Government's implementation of SDG 2 in relation to pre-obesity and obesity, as well as the performance audits on primary health care carried out in 2016 and 2018. While many of the concerns highlighted in these reports were addressed, this Office deemed it opportune to reiterate the more pertinent observations and contextualise them in the framework of the consultation document.

## Media

By communicating through the media, the NAO ensures that its work reaches a broader audience, fostering transparency and informing citizens about government performance and accountability. Media coverage of audit reports can prompt public discourse and scrutiny, encouraging government bodies to address identified issues. This external pressure can lead to timely corrective action, reinforcing the principles of good governance. Active media engagement also helps build the NAO's reputation as an independent, authoritative oversight body. Visibility



*Interview with Prof. Mario Thomas Vassallo of the University of Malta on the programme Agora on Campus FM on 16 November 2024*

in the media underscores the NAO's commitment to transparency and its role in safeguarding public resources.

- a. On 14 January, MaltaToday published the article, *Staying vibrant and relevant for the next five years*, penned by the AG. The article focused on the NAO's Strategic Plan 2024-2028.
- b. On 19 July, TVM featured a news segment on the publication of the NAO's Annual Report and Financial Statements for 2023. The coverage included a brief interview in which the AG outlined the strategic direction of the Office. He emphasised that the NAO's approach is guided by a two-pronged strategy: by fulfilling its core mandate as external auditors of the public service; and by continuously strengthening its own internal governance structures and institutional capabilities to reinforce accountability within the Office itself.
- c. On 16 November, the AG had an interview with Prof. Mario Thomas Vassallo of the University of Malta on the programme *Agora on Campus FM*. Issues related to the NAO's work and its impact, some of a controversial nature, were discussed.

- d. Following the publication on 16 December of the Report by the Auditor General on the Workings of Local Government for 2023, the AG had an interview with journalist Liam Carter during TVM’s daily programme, RasimbRas.
- e. In addition, considerable coverage was given by newsrooms, print and online, to NAO reports published in 2024.

### Other external stakeholders

During 2024, the NAO participated in events hosted by diverse organisations or attended key occasions of national relevance.

- a. The AG was invited to participate in a discussion forum marking the official launch of the fourth volume of the book series, Public Life in Malta: Papers on Governance, Politics and Public Affairs in the EU’s Small Member State. The event, held at San Anton Palace, was organised under the distinguished patronage of the former President of Malta, His Excellency Dr George Vella. The forum, moderated by the academic, Rev. Dr Carmel Tabone, featured a panel discussion including the Permanent Secretary at the Ministry for Health, Mr Joseph Chetcuti, and lecturer within the Department of Public Policy at the University of Malta, Dr Marguerite Camilleri. The panel addressed several key issues raised in the publication. The forum was held on 15 February.
- b. The AG and the DAG attended the inauguration of Her Excellency, Dr Myriam Spiteri Debono, as the 11th President of the Republic of Malta, held on 4 April. In her inaugural address, President Spiteri Debono condemned the disease of

greed, highlighting its detrimental impact on society and emphasising the importance of good governance. Coincidentally, the day before, the AG received a letter of appreciation from President Emeritus, Dr George Vella. In his message, Dr Vella commended the NAO for its unwavering commitment to upholding the principles of good governance and accountability. He acknowledged the professionalism and diligence demonstrated by the Office in fulfilling its constitutional mandate. When sharing this recognition with NAO staff, the AG said that receiving such a commendation from President Emeritus Dr Vella was both humbling and motivating. The AG asserted that this acknowledgment reaffirmed the significance of the NAO’s work and served as an encouragement for its employees to continue striving for excellence in their service to the public and the nation.

- c. The Public Services Awards Gala Night was organised by the Office of the Principal Permanent Secretary on 22 June. Of particular relevance to the NAO was the Best Practice in Good Governance Award, which was presented to the Malta Council for Science and Technology. This recognition followed the NAO’s 2023 financial and compliance audit, which had identified the Council as a case study in good governance. The AG and the DAG attended the event.
- d. On 27 June, the AG participated in the public consultation event organised by the Office of the Superintendent of Public Health within the Ministry for Health and Active Ageing. The primary objective of this event was to initiate the development of a Policy Framework for the Prevention of Non-communicable Diseases, targeting the period 2025-2035. During the event,

the AG participated in a thematic breakout session focused on Improving Governance and Accountability: Thinking of Solutions to Overcome Current Barriers. The session facilitated constructive dialogue around practical approaches to enhance system-level oversight and implementation.

e. The AG held a cordial introductory meeting with Her Excellency the President of Malta, Dr Myriam Spiteri Debono. During the meeting, held on 24 September, the President expressed her appreciation for the NAO being entrusted, for the first time, with hosting the 2025 Contact Committee Meeting. This high-level event will bring together the Heads of SAIs of both EU Member States and Candidate Countries. Her Excellency accepted the AG’s invitation to deliver the opening speech during this Contact Committee meeting and to host a welcome reception for all participants at Verdala Palace. The AG extended an invitation for the President to make an official visit to the NAO. In recognition of the Office’s ongoing work, Her Excellency graciously accepted the invitation and indicated her

intention to visit as soon as her extremely tight schedule permitted.

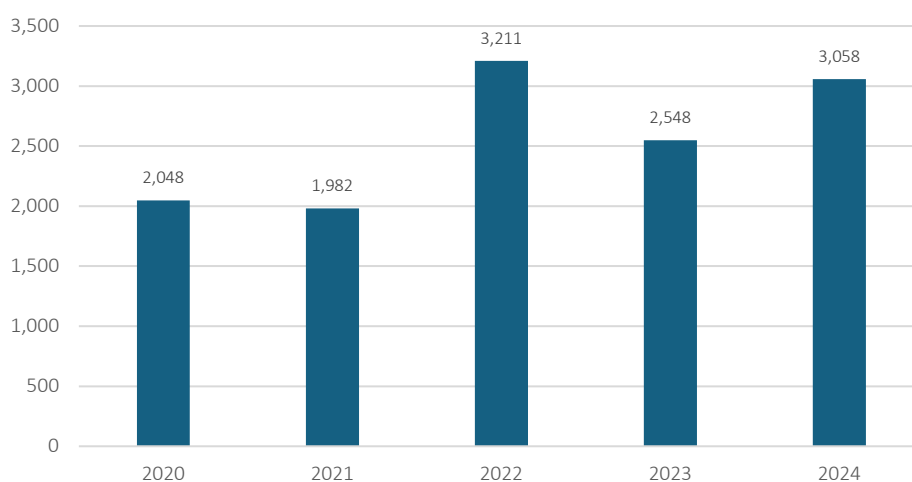
f. On 1 October, the AG attended the inaugural session of the new Forensic Year at the Courts of Law. As is customary, the event featured policy addresses delivered by His Honour the Chief Justice, Mark Chetcuti, and by the President of the Chamber of Advocates, Dr Peter Fenech.

### Employees

Effective internal relations are foundational to the NAO’s ability to deliver on its mandate with authority, accuracy and integrity. A collaborative internal culture enhances problem solving, innovation and responsiveness to emerging audit challenges. Investing in employee engagement and organisational well-being strengthen the institution’s long-term performance and public value.

Since employees represent the NAO’s most valuable asset, the Office allocates significant resources towards enriching their competences, abilities and expertise through extensive training initiatives. Figure 2 depicts the training hours offered to NAO

Figure 2: Training Hours 2020-2024



staff during the past five years, i.e., a total of 12,847 hours. The subsequent two paragraphs provide a description of the major two training events for 2024. The second module of training on IPSAS for NAO employees was held between 26 February and 1 March. The training was delivered by a consultant in public sector finance and accountant by profession, Ms Manj Kalar. The first module of this training programme was held in 2023.

On 4 April, the Institute for the Public Service, in collaboration with the Department of Contracts and the NAO, launched the first session of a five-part training programme on public procurement. This initiative was led by the NAO's Special Audits and Investigations Section and co-ordinated by the Finance and Administration Section with the objective of further enhancing the NAO's knowledge and understanding of public procurement practices. Subsequent sessions were held on 11, 17, 24 and 30 April, and 7 May.

The training covered a comprehensive range of topics: Overview of the Public Procurement Legislative Framework, Eligibility, Selection Criteria, and the European Single Procurement Document, Evaluation Process (Parts 1 and 2), Procurement Procedures and Award Criteria, and Modifications and Post-Contracting Issues in Procurement.

In November 2024, NAO senior management initiated a preliminary review of the proposals submitted by the UHM – Voice of the Workers in preparation for forthcoming discussions on a new NAO collective agreement. Negotiations on this new agreement were still pending as at the time of publication of this Report.

Throughout the year, the AG has continued to circulate an informative Weekly Update e-bulletin to all NAO staff. This initiative was initiated by the AG on the introduction of collective remote working in March 2020; since staff were not meeting as

frequently as previously at the Office, it was deemed necessary to keep all staff duly informed of major initiatives and events within our Office.

Drawn from brief contributions submitted by colleagues across every Section, this extensive internal communication provides real-time snapshots of audits in progress, international engagements under way and stakeholder meetings taking place each week. Thus, by sharing timely, concrete information in an accessible format, the bulletin strengthens internal communication and transparency, helps employees see how their daily efforts support the NAO's wider mandate, and nurtures a culture of collaboration and shared ownership of results. The positive staff feedback received by the AG is overwhelming.

This year, the hard-working NAO Social Committee remained committed to fostering a workplace culture grounded in teamwork and collaboration. To this end, the Committee organised various social activities and events for all staff aimed at strengthening team cohesion in an enjoyable, welcoming atmosphere.

Many of these activities were held in-house, with a focus on team building. Among the most anticipated and well attended events were the traditional summer lunch, held at the start of the Office's summer schedule, and the festive Christmas drinks to celebrate the holiday season and the New Year. As part of its commitment to social responsibility, the Social Committee organised another ten philanthropic and fund-raising activities throughout the year to help the vulnerable in our society. The net proceeds from these events, together with other donations from staff, amounted to €1,000 and were donated to L-Istrina in December 2024.

The Pink October and Movember activities were combined into a single event in 2024. The proceeds from this initiative supported efforts to raise awareness and promote research into

the more efficient and effective methods for the prevention, detection and treatment of breast cancer and other male-specific diseases. NAO employees were encouraged to wear pink or blue on the designated day and participate in a social gathering at the NAO reception area. The amount raised during this event was subsequently donated to the Malta Hospice Movement. For the third consecutive year, participation in the Reverse Advent Calendar initiative, organised by the Foodbank Lifeline Foundation, took place during Advent. The initiative aims to provide food to over 300 families per week through community donations and support. During the Christmas drinks event, a spontaneous collection was held in support of ALS Malta, a charitable foundation that assists persons with severe neurological conditions. The moment was marked by a spirit of generosity and solidarity, reflecting the commitment of NAO staff towards supporting those in need.

Blood donation initiatives were also supported during the year, with a number of NAO officers donating blood during three separate sessions at the National Blood Transfusion Centre. Some individuals participated for the first time, and an increase in the number of donors compared to the previous year was noted.

### Collaboration with foreign stakeholders

The NAO recognises that international co-operation is increasingly vital in a globally interconnected auditing environment. Engagement with foreign counterparts, international institutions and regional audit organisations not only strengthens the NAO's institutional capacity but also enhances its ability to adopt and promote best practices in public sector auditing.

Among the relationships with international stakeholders the NAO actively fostered in 2024 were SAIs, regional and global audit networks, and

multilateral organisations. These collaborations took various forms: participation in joint audits, contributions to international working groups, and attendance at global and regional conferences hosted by organisations such as EUROSAI, INTOSAI and the ECA, among others.

### INTOSAI and the IDI

Collaboration between the NAO and INTOSAI is essential to strengthen audit quality, promote good governance and enhance institutional capacity. Through this collaboration, the NAO benefits from global best practices, access to technical guidance, and opportunities for peer learning and professional development. Engaging with INTOSAI also reinforces the NAO's commitment to transparency, accountability and the continuous improvement of public financial management systems.

- a. On 25 and 26 March, the AG and the AAG Performance Audits Section participated in the international conference ClimateScanner – Global Call: Engaging Supreme Audit Institutions in Assessing National Climate Action, held at the UN Headquarters in New York. Organised by the UN Department of Economic and Social Affairs in collaboration with the Federal Court of Accounts of Brazil, the event drew participation from some 75 national audit institutions, alongside various international stakeholders, including INTOSAI and the IDI. The conference underscored the urgency of climate change, one of the most pressing global challenges, and the pivotal role of SAIs in promoting accountability in national climate action. Speakers highlighted significant gaps in climate ambition, implementation, adaptation and finance.

While in New York, the NAO delegation also had the opportunity to visit Malta's new Embassy premises, where they were

welcomed by the Ambassador, Ms Vanessa Frazier, Malta's Permanent Representative to the UN Security Council. Furthering the NAO's engagement in this initiative, a Principal Auditor in the Performance Audits Section participated in the ClimateScanner progress meeting, held on 20 September, and organised by SAI Brazil. This followed six regional workshops in which over 200 auditors received training on the methodology. The online meeting offered EUROSAI participants an opportunity to share updates and discuss challenges, including balancing of assessment scores.

Additionally, on 26 September, the AG, the AAG, a Manager and a Principal Auditor in the Performance Audits Section held a preliminary meeting with the Permanent Secretary of the MEER, Mr Joseph Caruana. Discussions focused on the national application of the ClimateScanner framework, which aims to systematically assess and monitor government climate actions and contribute to a global overview of strengths and challenges in climate policy implementation.

- b. On 28 March, a Manager and a Principal Auditor in the Performance Audits Section submitted a comprehensive audit proposal on the performance audit of the CCAA. This audit forms part of the joint initiative under the IDI Global Co-operative Audit of the CCAA. As part of this initiative, each SAI was assigned a mentor to provide guidance and feedback throughout the various stages of the audit process. In the case of the NAO, mentorship was provided from the US Government Accountability Office by Senior Analyst, Mr Joe Thompson. In early April, the NAO received positive feedback

on the draft submissions made in March related to the audit, titled Implementation of Climate Change Adaptation Planning or Actions. This initiative is part of an INTOSAI-led effort involving co-operative audits across multiple countries, complemented by specialised training in climate change auditing. The ultimate goal of this initiative is the development of individual national reports, which will collectively contribute to a co-operative audit report to be compiled by the participating SAIs.

- c. On 22 April, the DAG attended a webinar hosted by the IDI to launch the Global SAI Stocktaking Report 2023. The findings of the report were presented by the Director General of IDI, Mr Einar Gorrissen, and the Senior Manager at IDI, Ms Camilla Fredriksen. This report highlighted concerning global trends in the areas of democracy, civil liberties and public accountability, which are increasingly affecting the transparency and operational independence of SAIs. Despite these challenges, the report indicated that SAIs continue to be responsive to emerging issues, notably in conducting audits related to the Covid-19 pandemic and monitoring progress on the SDGs. Additionally, there is evidence of increased organisational efforts to promote gender equality within SAIs. In his remarks, Mr Gorrissen emphasised the need to enhance audit quality through improved implementation of ISSAIs, further professionalisation of audit staff and strengthened support for capacity development.
- d. On 24 May, the IDI invited the AG to nominate the AAG Special Audits and Investigations Section and the Liaison Officer International Affairs as resource persons for

the SAI SDG Auditors Initiative. This initiative aims to develop auditors across SAIs with the competencies required to audit SDGs using a whole-of-government approach. The NAO officials were selected based on their contributions to the development of IDI's SDG Audit Model, their mentorship roles in the Asian Organisation of SAI SDG 3.d programme and their direct experience in conducting audits of SDG implementation. Recognising that this involvement enhances the NAO's profile, facilitates support for other SAIs in collaboration with the IDI and offers professional development opportunities for NAO auditors, the AG approved their participation. The inaugural meeting, held on 15-19 July in New York, was hosted by the UN Department of Economic and Social Affairs. The agenda included identifying relevant competencies, drafting a syllabus for the education component and designing the overall initiative. Additionally, as resource persons, the AAG Special Audits and Investigations Section and the Liaison Officer International Affairs participated in a side event at the High-Level Political Forum on Sustainable Development 2024. Held at the Consulate General of Brazil in New York, the event focused on Auditing for Effective, Accountable and Inclusive Public Institutions for Implementing Sustainable Development Goals. The Liaison Officer International Affairs presented key findings from the NAO's audit, titled A Review of Implementation of Sustainable Development Goal 1: Malta's Efforts at Alleviating Poverty, illustrating how audits can strengthen public institutions and contribute to poverty elimination.

- e. Between 27 and 29 May, the AAG Special Audits and Investigations Section participated in the IDI Mastery Class, titled Inclusive Leadership, held in Oman. This training

programme introduced an innovative leadership approach that emphasises the ability to effectively lead diverse teams while showing genuine respect for each individual's unique characteristics. The Mastery Class highlighted the importance of self-awareness in recognising potential blind spots in decision making, encouraged leaders to challenge established norms, and focused on the management of emotions and the active promotion of diversity and inclusion within organisations.

- f. On 19 June, the AG was accompanied by the DAG and the External Affairs and Research Officer during a meeting with academic Dr Lisa Baudot, held in connection with a research project commissioned by INTOSAI on challenges faced by small SAIs. The principal objective of this initiative was to identify solutions to the challenges small SAIs face in complying with INTOSAI's auditing standards. The research aimed to gain a deeper understanding of the root causes behind the difficulties encountered in implementing these standards, including the ISSAIs. It also aimed to gather feedback on the usability of these standards, and assess the relevance and effectiveness of current capacity development support offered by INTOSAI bodies, regional organisations and development partners. The NAO was identified by INTOSAI as a key participant in this project.

- g. At the request of the Deputy Director General of the IDI, Ms Archana Shirsat, the NAO was invited to consider the participation of the Liaison Officer International Affairs in the IDI's SAI Audit Analytics initiative, a new initiative aimed at strengthening data analytics competencies among SAI auditors to support sustainable audit practices.

The initiative was guided by a three-tiered competency framework, with one of the core competencies focusing on building a robust understanding of statistics and its application in SAI audits. The Liaison Officer International Affairs' contribution was to focus on the design and development of educational content in this area. Despite the resource limitations faced by the NAO, as the smallest national audit institution within the EU, the AG recognised the importance of this initiative and confirmed participation, emphasising the need for a mutually beneficial outcome. To this end, the AG and the Liaison Officer International Affairs held a virtual meeting with Ms Shirsat on 9 August. In November, the Liaison Officer International Affairs participated in the initiative's inaugural meeting in Oslo, where she contributed to the development of training materials for the Statistics for Auditors module.

- h. The AAG Special Audits and Investigations Section attended the 9th meeting of the INTOSAI Working Group on Big Data, held from 9-12 September in Ninh Binh, Vietnam. The event, organised by the SAI of Vietnam, brought together representatives from multiple SAIs to discuss advances in data governance, AI applications in auditing and big data analytics for enhanced financial oversight. Key updates were presented by SAIs including Brazil, India, Belgium, Denmark and Estonia covering topics such as social security audits, AI integration, data warehousing and international benchmarking. The event also featured contributions from Vietnamese public and private sector experts, further enriching discussions on data governance. The meeting emphasised several important

themes relevant to the NAO, including the need for strong data governance frameworks, capacity building in big data and AI competencies, and the value of international collaboration in sharing best practices for data-driven audits. Following formal sessions, delegates participated in a field visit to a Hanoi university focused on big data and AI innovation. The event offered valuable insights that will inform the NAO's ongoing efforts to strengthen its audit methodologies through advanced data analytics.

- i. On 1 October, the inaugural webinar in a series of three was jointly organised by the IDI and the Inter-Parliamentary Union. The series was titled Enabling Impact of Public Oversight through Better Understanding and Use of Audit Results in Parliament. The first session focused on Financial Audit Impact: Using Reports to Inform Budgetary Processes. It featured an intervention by the Chair of the PAC, Dr Darren Carabott, who provided a concise overview of the Committee's operations, highlighting the excellent collaboration between the PAC and the NAO. The webinar was attended by the AG, the DAG and a Principal Auditor in the Financial and Compliance Audits Section.
- j. On 7 November, the AG, the DAG and the AAG Financial and Compliance Audits Section attended the second webinar in a three-part series focused on the theme Compliance Audit Impact: Building Arguments for Improving Systematic Weaknesses in Governance. On 2 October, the AG received formal confirmation from INTOSAI on the NAO's participation in the PAS. Established by INTOSAI's Professional Standards Committee in September 2005, the PAS is

primarily responsible for developing and maintaining standards and guidance for performance auditing in alignment with the Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements. The NAO's involvement in this subcommittee is expected to enhance the Office's institutional visibility and provide valuable practical experience in the evolving field of performance auditing. A Manager in the Performance Audits Section was designated as the NAO's representative to this forum.

- k. In October 2024, the AG was invited by the IDI to submit a brief recorded message sharing the NAO's experience with the PESA initiative. In his message, he expressed gratitude to the NAO's nine PESA graduates whose invaluable feedback formed the foundation of his intervention. The AG strongly endorsed this commendable initiative on the part of IDI, whom he thanked for its ongoing work and efforts in the best interest of all national audit institutions.
- l. Following the NAO's bid submitted in October, on 19 December the INTOSAI WGEA Secretariat, hosted by the NAO of Finland, formally notified all members that the 23rd INTOSAI WGEA Assembly will be held in Malta from 1 to 3 July 2025. The central theme of the Assembly will focus on water-related issues. The event is anticipated to bring together over 100 auditors from various member institutions, including the participation of various Heads of SAIs.
- m. As part of the NAO's external affairs initiatives, an article, titled A Holistic Approach to Auditing Climate Change Matters, penned by a Principal Auditor in the Performance Audits Section, was submitted following

a call for contributions by the INTOSAI Journal of Government Auditing. The article, published in the first quarter 2025 issue of the journal, highlighted the NAO's strategy to address the complex, evolving challenges associated with auditing climate change. It outlined the multi-dimensional efforts being undertaken to better understand the risks posed by climate change and to enhance audit practices in this area.

- n. A Principal Auditor in the Performance Audits Section was accepted to participate in the IDI's SAI Young Leaders Programme 2024-2025. The selection followed a competitive assessment process that included the submission of a written change strategy proposal, an online screening and an interview. The evaluation focused on communication skills, subject matter expertise, leadership potential and the feasibility of the proposed strategy to bring about meaningful change within the SAI. The change strategy proposal submitted, titled Enhancing Value through Audit Product Diversification, supports one of the NAO's strategic goals – to enhance audit impact through the introduction of new audit products. In September 2024, the Principal Auditor in the Performance Audits Section was invited to participate in the first international interaction of the programme, hosted by SAI Rwanda in Kigali. The workshop, delivered by experts from IDI, INTOSAI and regional leadership practitioners, focused on four developmental clusters: Discover Self, Discover Universe, Grow People and Create Value. The workshop combined theory, experience sharing and practical application, including case scenarios and the use of participants' change strategy projects to facilitate real-world learning. Participants

also had the opportunity to engage with SAI leaders and peers from around the world to contextualise their learning. A Manager in the Performance Audits Section accepted to act as coach and mentor throughout this initiative.

## EUROSAI

Co-operation between the NAO and EUROSAI is important for several strategic, operational and professional reasons. This co-operation provides a platform for knowledge exchange, allowing the NAO to benefit from the experiences and best practices of other European SAIs. Participation in EUROSAI activities, such as training seminars and working groups, enhances the skills and technical knowledge of NAO auditors. EUROSAI supports the adoption of internationally recognised audit standards, helping ensure that NAO practices align with European norms. Collaboration allows the NAO to compare methodologies and results with peer institutions, identifying areas for improvement and innovation. Moreover, through EUROSAI, the NAO can participate in co-ordinated audits on cross-border or EU-level issues, such as environmental sustainability and public health. In sum, co-operation with EUROSAI enhances the effectiveness, credibility and impact of the NAO by fostering professional excellence, cross-border collaboration and alignment with international standards. It also reinforces Malta's role as an active participant in the European public audit community.

a. On 6 February and again on 5 March, the AAG and a Manager in the Performance Audits Section attended virtual meetings of the EUROSAI Climate Project Group. This group is co-chaired by the ECA and the UK NAO, and sponsored by EUROSAI's Emerging Issues Portfolio and the European Organisation of Supreme Audit Institutions Working Group on Environmental Auditing (EWGEA). The

Project Group serves as a regular, informal forum for SAIs to exchange views on emerging issues related to Governments' approaches to climate change. Its overarching goal is to strengthen collective understanding of climate-related risks and highlight emerging good practices. The central theme of both meetings was Public Engagement on Climate Change. Presentations were delivered by representatives from the UN Environment Programme and Climate Outreach, a specialist organisation in climate communications. The sessions explored effective strategies for engaging the public in addressing climate-related hazards, an area identified as critically important for the success of climate policy and governance. On 22 March, a Senior Auditor in the Performance Audits Section attended the online EWGEA 2024 Water Seminar, held in celebration of World Water Day. The seminar featured presentations focusing on integrated water resources management, transboundary co-operation and the auditing of water-related issues, providing valuable insights into sustainable water governance and the role of SAIs in this field.

b. On 24 April, the Manager, IT Audits and Operations Section, participated in the EUROSAI Information Technology Working Group's (ITWG) e-seminar titled Government Spending on ICT – Under Control? The event attracted approximately 300 registered participants, reflecting strong interest in the topic, providing valuable perspectives on ICT governance and the evolving role of SAIs in overseeing public sector digital transformation.

c. On 30 April, the EUROSAI Strategic Group 1 Project Group Travelling Club of Experts

organised their penultimate webinar with the theme, Audit Insight Series: Mastering Sampling Techniques. Two presentations were made during the webinar, the first by the NAO's Liaison Officer International Affairs and the second by the Data Scientist from the Department of Analysis and Data Science from the Court of Auditors of France, Mr Antonin Lecomte.

d. The Spring Meeting of the EWGEA, which the NAO hosted in Malta from 14-17 May, was a hybrid event that welcomed approximately 80 environmental auditors from 30 SAIs across Europe. Participants engaged in discussions around the topical theme of energy security, a topic of increasing relevance for public sector auditors in the light of global energy challenges. In his opening address, the AG emphasised the significance of energy security to society at large. He noted that, while Malta shares many energy-related challenges with other countries, its small island status tends to amplify these issues. Hosting the Spring Meeting in Malta, he said, marks a significant

milestone for the NAO, which has been actively engaged in the EWGEA since its early days and was among the group's first participants. The NAO played an active role in the meeting's agenda and delivered two presentations focusing on NAO audits related to measures encouraging the uptake of renewable energy and the ongoing review of the electricity utility company's investments aimed at enhancing the reliability of the national electricity distribution network. In addition, this Office led an online workshop titled Challenges Encountered by SAIs in Auditing Energy Security through Renewable Energy and Energy Efficiency Measures. This meeting also commemorated EWGEA's 25th anniversary.

e. The EWGEA Spring Meeting also provided an opportunity for the AG to host a multilateral meeting, on 17 May, with three other Heads of SAIs who attended the meeting. These were the President of the SAI of Poland and Chair of the Working Group, Mr Marian Banas, the AG of the SAI of North Macedonia, Mr Maksim Acevski, and the



*EWGEA Spring Meeting hosted in Malta on 14-17 May 2024*

President and AG of the SAI of Serbia, Mr Dusko Pejovic. During the meeting, the four Heads of SAIs unanimously agreed on the importance of strengthening multilateral collaboration among their respective institutions. Particular emphasis was placed on exploring opportunities for the exchange of experiences, information and competencies in areas of mutual interest and relevance to public sector auditing.

f. On 27 and 28 May, the AG, the DAG and the External Affairs and Research Officer attended the XII EUROSAI Congress, held online and hosted by SAI Israel. This triennial event featured presentations on the implementation of EUROSAI's Strategic Goals for 2017-2024 – Goal 1 (Professional Co-operation) and Goal 2 (Institutional Capacity Development), as well as overall progress under the EUROSAI Strategic Plan 2017-2024. Reports were delivered by various EUROSAI Working Groups and Task Forces. The Congress also approved the EUROSAI Strategic Plan 2024-2030.

g. A Manager in the Special Audits and Investigations Section attended the second meeting of the EUROSAI Project Group on the Benefits and Methodologies of Real Time Audit, which took place in Budapest on 4 and 5 June. The meeting brought together representatives from European SAIs to explore the growing relevance and practical application of Real Time Audits in the public sector. These audits represent a dynamic approach to auditing in which auditors engage with ongoing activities or processes, and provide findings and recommendations concurrently as events unfold. This methodology enhances the audit's ability to influence outcomes,

ensuring that feedback is not only timely but also strategically positioned to prompt corrective action at critical decision-making junctures. Designed to improve responsiveness and impact, Real Time Audits are applicable across a range of audit types, including both compliance and performance audits. The NAO participation reflects its ongoing commitment to innovation and effectiveness in public sector auditing.

h. In line with the agreement reached during the UN INTOSAI meeting held in New York in March 2024, attended by the AG and the AAG Performance Audits Section, a Principal Auditor within this Section participated in the EUROSAI Regional Technical Workshop on the application of the ClimateScanner tool. The workshop, organised by SAI Brazil and SAI Poland, was held in Prague, Czech Republic, from 3 to 7 June, and brought together representatives from 24 SAIs and the ECA. During the Prague workshop, participants received training on the ClimateScanner Rapid Review Tool Framework. The objective of this framework is to support the implementation of a coordinated assessment of governmental climate actions, which participating SAIs were to carry out concurrently until September 2024. The resulting findings were presented at the 29th Conference of the Parties to the UN Framework Convention on Climate Change, which took place in Baku, Azerbaijan, in November 2024.

i. The final meeting of the EUROSAI Strategic Group 1 Project Group Travelling Club of Experts was co-chaired by the SAIs of Lithuania and Israel, and was hosted by the NAO on 5 and 6 June in a hybrid format, allowing both in-person and virtual



*The Auditor General, Mr Charles Deguara, and Assistant Auditor General, Mr William Peplow, attend the UN Conference on Climate Change in New York in March 2024*

participation. The event was first addressed by the AG, who highlighted the importance and topicality of the themes to be discussed. The DAG of Lithuania, Ms Zivile Kindurte, and the State Comptroller and Ombudsman of Israel, Mr Matanyahu Englman (who sent a recorded message), delivered the opening speeches. On the first day, discussions and presentations from EU SAIs focused on AI opportunities for public sector audits and the benefits of combined audits. On the second day of the meeting, workshops were held on lessons learnt and potential future activities of the Project Group. This meeting marked the culmination of the current activities of the Travelling Club of Experts project, whose overarching aim was enhancing the knowledge and capabilities of public sector auditors across Europe. The Member of the ECA, Dr George-Marius Hyzler, also attended the seminar. On 6 June, the AG and the DAG met Ms Kindurte for a bilateral meeting between the two SAIs to discuss matters of mutual interest as well as future co-operation.

- j. A Principal Auditor in the Financial and Compliance Audits Section participated in the 6th edition of the Young EUROSAI (YES) Conference, held in Warsaw, Poland, from 24-28 June. The theme of the conference focused on the transformation of the auditing function through AI. The event featured a series of workshops led by representatives from the ECA and various SAIs. Discussions centred around key topics, such as factors influencing AI adoption in audits, the emergence of new required competencies, and the application of AI in audit planning, particularly in risk detection and the selection of auditees, as well as its use throughout the audit process. The potential for streamlining financial audit procedures through automation was explored. Discussions also addressed the future of AI in public sector auditing, with particular emphasis on ethical considerations and the implications for audit integrity and transparency.
- k. On 24 and 25 September, the Manager, IT Audits and Operations Section, attended the 17th meeting of the EUROSAI ITWG, held

in Oslo, Norway. The event was structured in two main segments: an international seminar, titled *Intelligent Auditor in an Artificially Intelligent State?* and the ITWG Business Meeting. The seminar featured several high-level presentations, including, the Norwegian Government's approach to AI, auditing AI systems in Norway, the application of AI within the UK Government, insights and lessons learned from auditing algorithms in the Netherlands and the use of AI to automate audit processes, as explored by the EU Digital Innovation Hubs Network. The ITWG Business Meeting focused on progress updates and discussions on ongoing and upcoming projects.

**l.** The EUROSAl Working Group on Municipality Audit organised a seminar, titled *Local Government Infrastructure Projects*, which was followed by the Group's annual meeting. These events were held in Tbilisi, Georgia, on 3 and 4 October. The seminar facilitated discussions on the auditing of capital projects within municipalities, and provided an opportunity to reflect on the activities of the Working Group under its 2024-2027 work programme. A total of 78 auditors from 26 countries participated in the event. The NAO was represented by a Principal Auditor in the Financial and Compliance Audits Section.

**m.** On 3 and 4 October, a Manager in the Performance Audits Section attended the EWGEA Annual Meeting, held in Baku, Azerbaijan. The meeting focused on the theme, *Extreme Weather Events – Preparedness Strategies*. The Manager in the Performance Audits Section delivered a presentation, titled *Malta's Preparedness to Deal with Flooding Events*, which drew on the work related to the climate change adaptation audit, which examined Malta's preparedness in addressing

climate change adaptation, with particular emphasis on flooding and sea-level rise. On 4 October, the Manager in the Performance Audits Section participated in the EWGEA Steering Committee meeting in which discussions centred on the ClimateScanner initiative and potential topics for future EWGEA meetings.

**n.** A key highlight of the EWGEA Newsletter November edition was the EWGEA Spring Session, held in Malta the previous April, which centred on the theme of energy security. Among the featured contributions was a paper by the Performance Audits Section, titled *Enemalta's Planning and Investment in the Local Distribution Network*, which summarised the main conclusions of a performance audit report issued by the NAO in July 2024. The report provided a comprehensive evaluation of Enemalta's planning and investment activities within Malta's high voltage electricity distribution network over the period 2014-2023. The analysis assessed the effectiveness of the network's management in ensuring a resilient and reliable electricity distribution system capable of meeting both present and future energy demands. The findings were framed within the broader context of energy security, aligning with the objectives of the EWGEA Spring Session and contributing constructively to the ongoing dialogue among SAls on auditing energy systems.

**o.** A Manager in the Performance Audits Section participated in the 7th EUROSAl Data Envelopment Analysis (DEA) Workshop, held in Lisbon on 5 and 6 December. This two-day event focused on DEA and Frontier Benchmarking, drawing participation from a distinguished panel of speakers, including leading academics from Sweden, Portugal

and the Netherlands, as well as expert officials from the SAIs of Sweden and Norway. DEA and Frontier Benchmarking methodologies, cited in over 10,000 academic publications, are widely applied in large-scale studies to assess efficiency and value-added across various operations. SAI Norway has developed a dedicated programme to support the implementation of these techniques and delivered a practical crash course during the workshop to enhance participants' understanding and application of the tool.

p. Following a request by the EWGEA, a Manager and a Principal Auditor in the Performance Audits Section submitted an article, titled Malta's Preparedness to Deal with Flooding Events, which featured in the second issue of the EWGEA Newsletter for 2024. The article highlighted Malta's vulnerabilities to flooding and outlined the audit methodology adopted, as well as the technical limitations encountered during the ongoing performance audit on climate change adaptation.

q. In October 2024, a Principal Auditor in the IT Audits Unit, in collaboration with the Manager, IT Audits and Operations Section, authored an article on the recent IT audit of the Document Management System. This piece was prepared for inclusion in the IT Working Group Newsletter under the EUROSAI framework. The article was well received by the IT Working Group Secretariat, who, in its feedback, stated that "... (the) article about document management systems across the Maltese government is a great example of digital transformation bringing out its opportunities

and challenges". It featured in the ITWG Newsletter 2/2024, published in December.

#### Other Supreme Audit Institutions

Collaboration with other SAIs is important for the NAO since it enables the sharing of knowledge and best practices, strengthens capacity through joint training and supports co-ordinated audits on transnational issues like climate change. It also helps align with international standards, enhances credibility and influence, optimises resources and fosters valuable networks for future co-operation.

a. As part of ongoing efforts to enhance bilateral co-operation, the NAO and the Corte dei Conti of Italy have undertaken a joint performance audit on the INTERREG V-A Italia-Malta Programme (2014-2020), a cross-border initiative co-financed by the EU to strengthen socio-economic cohesion between Malta and Sicily. The process began on 16 January with an online meeting between NAO officials and the Permanent Secretary at the Ministry for the Economy, European Funds and Lands (European Funds), Mr Jonathan Vassallo. Shortly after, NAO officials met with Cons. Giancarlo di Lecce from the Corte dei Conti to define the scope, focus and logistics of the audit. The audit was to focus on biodiversity-related projects within the INTERREG framework, given the environmental and financial implications of these initiatives. An MoU and an audit plan were subsequently developed and formally approved by the Heads of both SAIs. In early April 2024, the NAO participated in preparatory meetings in Palermo with the Managing and Audit Authorities, followed by technical sessions with Corte dei Conti officials to develop the joint audit plan.

The collaboration was formalised during a brief visit to Rome on 29 April, when the bilateral Memorandum of Co-operation was officially signed by the President of the Corte dei Conti, Mr Guido Carlino, and the AG. On 6 May, the NAO audit team participated in a virtual entry meeting with key Maltese stakeholders. These included the Permanent Secretary at the MEER, Mr Joseph Caruana, the Permanent Secretary of the Ministry for the Economy, European Funds and Lands (European Funds), Mr Jonathan Vassallo, the CEO Environment and Resources Authority, Mr Kevin Mercieca, the Director Ministry for Education, Sport, Youth, Research and Innovation, Ms Claire Zammit, and the Deputy Director, Projects Support Team, University of Malta, Ms Alexandra Attard, among others. Cons. di Lecce and Dott. Laura Zanarini represented the Corte dei Conti. During this meeting, a Manager in the Performance Audits Section delivered a detailed presentation outlining the audit's objectives, scope and logistical framework. Discussions also focused on the specific case studies under review: the Corallo, Corallo +SI, SiMaSeed and SiMaSeed Plus projects, all of which fall within the 2014-2020 programming period of the INTERREG initiative. From 17 to 19 June, the first phase of joint fieldwork was conducted in Palermo by a team comprising the AAG, a Manager and a Senior Auditor within the Performance Audits Section, and Cons. di Lecce and Dott. Zanarini from the Corte dei Conti. Fieldwork continued in Malta from 16-19 July during which the Italian delegation joined NAO officials for meetings with various entities, including the IAID, the University of Malta, the Ministry for Education, Sport, Youth, Research and Innovation, and other

stakeholders. Several site visits were also conducted. On 4 September, the two SAIs held an online meeting to address procedural and contractual matters with the University of Malta's Legal Office and to review audit progress in both countries. Finally, on 3 and 4 October, follow-up meetings, involving the Heads of both SAIs, were held at the Corte dei Conti in Rome at both technical and strategic levels. Both institutions noted the significant progress made and reaffirmed their commitment to continue bilateral co-operation in public sector auditing. This joint audit exemplifies the tangible benefits of international collaboration between SAIs and contributes to improved transparency, accountability and oversight of EU-funded initiatives.

- b. On 17 January, a Principal Auditor in the Performance Audits Section participated in the first online meeting of the EU Network Audit on Energy. This forum serves as a platform for SAIs to share knowledge and experiences on energy-related issues. The meeting featured presentations by the SAI of Estonia and the Belgian Court of Audit on recent audits focusing on wind energy and concluded with a discussion among participants on key challenges in advancing wind energy and the complexities associated with auditing in this sector.
- c. On 25 January, the AG welcomed a high-level delegation from the Chinese National Audit Office (CNAO). The delegation was led by the DAG, Mr Li Feng, and included the DAG, Mr Dai Huahu, and the Programme Officer, Mr Zhang Jun. The visit provided an opportunity for meaningful exchanges on audit practices and institutional co-operation.

- d. On 20 February, the AAG Performance Audits Section was invited to participate in a panel discussion on the theme, Strengthening the Role of Supreme Audit Institutions in Improving Local Governance, as part of an International Conference on Performance Auditing scheduled to take place in New Delhi, India, on 28 February and 1 March. The conference brought together representatives from the SAIs of Georgia, Malaysia, Maldives, Morocco, Nepal, Oman, Poland, South Africa, Uganda and Malta.
- e. The DAG was invited to contribute to a joint IDI-Organisation for Economic Co-operation and Development (OECD) Conference on SAI Leadership, focusing on Audit and Public Financial Management. The conference was held on 26 and 27 February in Paris, France. The event covered a range of topics, including capacity building for performance auditors, innovative approaches in performance auditing, the role of digital transformation and AI in public financial management and auditing, and sustainability auditing, including green budgeting. Speakers also shared their insights, experiences and challenges related to the planning, execution and impact of audit activities. The DAG delivered a presentation on the Professionalisation of Performance Auditors, highlighting key developments and best practices in this area.
- f. On 15 March, the NAO Action Team responsible for the Risk Framework held a meeting with the Deputy Director of Department VII – Performance Audit at the Romanian Court of Accounts, Mr Adrian Gogolan. The meeting focused on the NAO's approach to integrating a risk framework into its annual audit planning process. The Action Team delivered a presentation outlining the methodology currently in use and the planned future enhancements to the Risk Model. The discussion provided an opportunity to exchange perspectives and explore best practices in public sector risk-based audit planning.
- g. On 21 March, the NAO hosted the AG of North Macedonia, Mr Maksim Acevski, accompanied by the Adviser to the AG, Prof. Dr Ivan Ignjatov, and the Principal Auditor from the SAI of North Macedonia, Ms Nadica Donevski. The visit included the official signing of an MoU between the two institutions. The MoU marked the commencement of a series of engagements designed to promote collaboration and facilitate the exchange of expertise and best practices between the two SAIs. Further bilateral discussions were also held, in which topics of mutual interest, including the NAO's strategic direction for the coming years, engagement with key stakeholders, local government auditing, audits of SDGs and methodologies for audit planning, were discussed. This meeting was followed by bilateral discussions between the AG, the DAG and the AAG Performance Audits Section and AG, Mr Maksim Acevski, and senior officials from the SAI of North Macedonia. The discussions were held in Skopje in October 2024. Various topics of mutual interest, focusing on practical initiatives to further strengthen the bilateral collaboration, were discussed. This co-operation was fundamentally based on the exchange of knowledge and experiences, with the active involvement of staff members of both institutions. In addition, the AAG

Performance Audits Section delivered a presentation on the application and benefits of risk assessment in audit planning within the NAO.

h. Between 15 and 19 April, a Principal Auditor in the Financial and Compliance Audits Section participated in an audit mission to the European Institute of Security Studies in Paris. The audit was conducted jointly with a counterpart from Romania as part of the Institute’s annual external audit process.

i. A delegation from the SAI of Vietnam, led by the DAG, Mr Nguyen Tuan Anh, accompanied by Vietnam’s Ambassador to Italy and Malta, His Excellency Mr Duong Hai Hung, paid an official visit to the NAO on 23 April. The delegation was received by the AG, the DAG and other senior officials of the NAO. This visit marked the first bilateral engagement between the two audit institutions and represented a significant step in strengthening relations between the SAI of Vietnam and the NAO. The discussions focused primarily on investigative auditing, with both sides sharing experiences and

best practices to promote good governance and accountability in the public sector. The visit also served as a platform to explore future avenues of collaboration, building on the mutual interest in improving audit effectiveness.

j. On 24 and 25 July, the AG attended a commemorative event in Belgrade marking the 180th anniversary of the original establishment of a SAI in Serbia. The main event, a one-day conference, was held at the National Assembly of the Republic of Serbia. The conference centred on three key themes: the importance of auditing public funds, trends in the development of and co-operation between SAIs, and the benefits of the work of SAIs for the state and its citizens.

k. The DAG and other officials of the NAO participated in the virtual conference, titled Current Trends in Environmental, Social and Governance (ESG) Reporting and Practical Applications, hosted by the Slovak Republic on 4 September. The event was organised by the SAI of the Slovak Republic under the auspices of the Slovak Ministry of Finance and



Official visit to the NAO of a delegation from the SAI of Vietnam on 23 April 2024

in collaboration with the Slovak Chamber of Auditors. Held within the framework of the SAI's Presidency of EUROSAI, the conference featured a distinguished panel of speakers, including the President of the SAI of the Slovak Republic, Mr Ľubomír Andrassy, the President of the SAI of the Czech Republic, Mr Miloslav Kala, and the Member of the ECA, Ms Katarína Kaszasová. Key discussions focused on the evolving landscape of ESG reporting, highlighting both the opportunities and challenges it presents.

- i. On 17 and 18 September, the AG attended a conference in Bucharest marking the 160th anniversary of the establishment of the then High Court of Accounts of Romania. The event was hosted by the President of the Romanian Court of Accounts, Mr Mihail Busuioc, and centred on the theme, Responsibility, Relevance and Resilience in a Challenging World, highlighting the vital role of SAIs in upholding democratic governance. The conference featured a line-up of distinguished speakers, including the President of Romania, His Excellency Mr Klaus Iohannis, the Prime Minister of Romania, Mr Marcel Ciolacu, the Comptroller General of the United States, Mr Gene Dodaro, and the President of EUROSAI and State Comptroller and Ombudsman of Israel, Mr Matanyahu Englman. At the margins of the event, the AG engaged in discussions with Mr Englman and the AG of South Africa, Ms Tsakani Maluleke, focusing on shared challenges and opportunities facing national audit institutions worldwide. Following this meeting with Ms Maluleke, contacts were made with SAI South Africa in view of the efforts to identify the most appropriate audit software to be used by the NAO.
- m. On 25 September, a Manager in the Performance Audits Section participated in

the kick-off meeting for the parallel audit titled Preparedness of Governments for an Ageing Population. This collaborative audit is being led by SAI Israel, and the meeting served as a brainstorming session to develop an initial list of agreed topics for the audit and to establish a co-ordinated timeline for its implementation. Fifteen SAIs agreed on the audit's main focus and schedule. The audit aims to conduct an international parallel review of government preparedness in key areas related to ageing populations, including healthcare, welfare, pensions and labour markets. The audit will be developed through working group discussions and virtual meetings.

- n. On 15 October, a delegation led by the DAG attended the High-Level EU SAIs Independence Event in Paphos, Cyprus. The event featured presentations from representatives of the SAIs of Cyprus, Belgium, Serbia, the Joint Audit Directorate for Cohesion (European Commission), the Parliamentary Accounts Committee of Cyprus, the IDI and the OECD. Key discussions addressed the international framework supporting SAI independence, challenges faced and potential solutions. A significant conclusion was that, while legal frameworks generally support independence, practical threats persist.
- o. On 16 and 17 October, the DAG headed an NAO delegation that attended the Contact Committee Meeting at the same venue in Cyprus. The AG could not attend this annual Heads of SAI meeting due to family commitments. The first day focused on EU Migration Policy, with keynote addresses from Cypriot authorities, the European Commission, the UN High Commissioner for Refugees and the ECA. The second day included parallel sessions on migration



Contact Committee of the Supreme Audit Institutions of the EU Meeting in Cyprus on 16-17 October 2024

challenges and opportunities. The External Affairs and Research Officer delivered a presentation on The importance of solidarity and the disproportionate burden on southern EU member countries: A case study of Malta. The meeting ended with the formal handover of the Contact Committee chairmanship from SAI Cyprus to the ECA, and hosting duties to the NAO for 2025. Brief presentations on the upcoming meeting were delivered by the ECA President, Mr Tony Murphy, and the DAG.

a Senior Auditor in the IT Audits Unit held a virtual meeting with representatives from the Information Technology and Digital Evolution Secretariat of SAI Brazil. The objective of the meeting was to explore the potential for technical assistance and knowledge sharing in the area of generative AI, particularly in light of SAI Brazil's successful deployment of ChatTCU. This tool, a secure interface built over OpenAI's ChatGPT, enables auditors to pose questions without transmitting classified data externally.

p. Following an initiative by the Manager IT Audits and Operations Section, a formal invitation was extended to the President of the Federal Court of Accounts of Brazil, Minister Bruno Dantas, and then Chair of INTOSAI, to hold an online meeting on the Court of Accounts of Brazil's in-house developed AI tool, ChatTCU. Minister Dantas accepted the invitation and, on 25 October, the AG, the aforementioned Manager and

q. Between 20 and 21 November, the AG attended the event hosted by the SAI of the Republic of Croatia to mark the 30th anniversary of its establishment. The event was marked by a series of formal sessions, including keynote speeches and panel discussions highlighting the evolution, achievements and future challenges of the Office. Particular emphasis was placed on the role of the SAI in promoting transparency,

accountability and good governance within Croatia's public sector. The main event featured various distinguished guests, including Prime Minister Mr Andrej Plenković, President of the Committee for Finance and State Budget of the Croatian Parliament, Mr Boris Lalovac, as well as prominent academics from the University of Zagreb.

r. On 27 November, the External Affairs and Research Officer participated in the 25th anniversary of the establishment of the SAI of North Macedonia. The event, held in Skopje, included a conference, titled Exchange of Experience of SAIs Communication Process – Opportunities and Challenges. The panel discussions and interactive sessions centred on how SAIs can maintain their credibility as independent, professional institutions dedicated to serving citizens. It also focused on strategies to strengthen public trust in the public sector by enhancing communication effectiveness.

s. On 28 November, three Principal Auditors represented the NAO at a seminar on financial and non-financial reporting and assurance in the public sector, held in The Hague, The Netherlands. The seminar was hosted by the Netherlands Court of Audit. Apart from various presentations, roundtable discussions were held in which participants exchanged views on developments, challenges and emerging practices in financial and non-financial reporting and assurance within their respective countries. The NAO contributed to these discussions with an intervention outlining local initiatives, experiences and perspectives in this domain.

t. Between 2 and 6 December, the AG and the DAG visited the CNAO in Beijing, followed by meetings and site visits in Shanghai with the Director General and senior officials of the Municipal Audit Bureau. The highlight of the visit was the bilateral meeting with the AG of SAI China, Mr Hou Kai, the DAG, Mr Li Feng, the Director General of the International Co-operation Department, Mr Jiang Haiying, and other senior officials. Discussions focused primarily on the remarkable advances the CNAO has made in integrating AI and other emerging technologies into their audit processes, resulting in enhanced efficiency, scope and effectiveness. A key presentation was delivered by the Director General of the Electronic Data Audit Department, Mr Ma Xiaofeng, who detailed the CNAO's strategic and phased implementation of AI tools within their audit framework. The AG and the DAG expressed appreciation for the sharing of CNAO's practical experience, emphasising its value as the NAO seeks to further develop technological capabilities in its audit work. Reference was also made to the NAO's recent membership in the INTOSAI Working Group on the Use of Big Data, chaired by the CNAO.

#### European Court of Auditors, the EU Commission and EU Committees

Liaising with the ECA, the EU Commission and EU Committees is essential for the NAO to ensure effective oversight of EU funds, align audit practices with European standards, and promote transparency and accountability. This collaboration enhances audit quality, supports policy development, and strengthens the NAO's independence and role within the broader EU governance framework, while fostering valuable knowledge-sharing and co-ordinated efforts across Member States.

- a. On 1 February, the NAO, in collaboration with the ECA, hosted their Annual Joint Seminar focusing on the transformative theme, Digitisation and AI in Public Audit. The event served as a dynamic platform for the exchange of knowledge and best practices on the integration of digital technologies and AI into public sector auditing. The seminar opened with an address by the AG, setting the tone for a series of thought-provoking presentations. The ECA Member, Dr George-Marius Hyzler, shared the Court’s overarching perspective, followed by the ECA Expert, Mr Emanuele Fossati, who provided insights into the ECA’s experiences and future strategies in this evolving field. The broader implications of AI were examined by a former academic in the discipline, Dr Michel Camilleri, offering an external viewpoint on the technological shift. From the NAO, the Manager IT Audits and Operations Section outlined the Office’s approach and initiatives in this area. The DAG summarised the seminar’s key takeaways, highlighting the opportunities and challenges presented by digital innovation in public audit. The event concluded with closing reflections by both the AG and Dr Hyzler reaffirming the strong and effective collaboration between the NAO and the ECA. The seminar reinforced the importance of continuous adaptation and co-operation in the face of technological change, positioning digitisation and AI as essential tools for enhancing transparency, accountability and efficiency in public auditing.
- b. On 12 March, accompanied by the DAG and the External Affairs and Research Officer, the AG participated in the virtual EU Commission’s country visit for Malta, conducted as part of the routine engagement with all Member States. During the meeting, the AG responded to questions relating to the preparation of the 2024 Rule of Law Report. This report provides updates on topics addressed in previous reports, as well as on relevant developments occurring since July 2023. It also includes a follow-up on the recommendations made by the Commission to Malta in the 2023 Rule of Law Report.
- c. On 3 and 4 June, the NAO hosted the President of the ECA, Mr Tony Murphy, on his first official visit to Malta. The visit served to further strengthen the longstanding relationship between the two institutions and to discuss areas of mutual interest and collaboration. The central event of the visit was a meeting at the NAO, during which senior management presented an overview of the Office’s current landscape, highlighting both achievements and challenges. The AG reaffirmed the NAO’s commitment to enhancing bilateral co-operation with the ECA, particularly through the annual NAO-ECA joint seminars and other initiatives related to public sector auditing. Mr Murphy provided insights into the ECA’s mission and objectives and commended the positive, collaborative relationship between the ECA and the NAO. This official visit not only reaffirmed the strong working relationship between the ECA and the NAO but also underscored the shared commitment to promoting transparency, accountability and sound financial management in the use of EU funds.
- d. On 18 June, the AG attended a conference for the Heads of SAIs of the EU, hosted in Brussels by the Belgian Court of Audit within the framework of the Belgian EU Presidency. Delegations from 25 EU countries, Ukraine, the ECA, the OECD and the North Atlantic



*The President of the ECA, Mr Tony Murphy, on his first official visit to Malta on 3-4 June 2024*

Image courtesy of Clodagh O'Neill – DOI

Treaty Organisation Board of Auditors attended the event. The central theme of the conference was Resilient SAIs for Resilient Societies, addressing how audit institutions can adapt to and support society in responding to system-level challenges, such as climate change, geopolitical conflicts and global health crises. Fourteen distinguished speakers, including Heads of SAIs and Belgian academics, explored resilience through four key perspectives: climate change, with a focus on energy, digitalisation, public finances and democracy, particularly the independence of SAIs.

- e. On 2 and 3 September, the AAG Financial and Compliance Audits Section participated in the EU Contact Committee Fiscal Policy Network meeting, hosted in Rome by the Corte dei Conti. The meeting provided an opportunity to discuss the new European fiscal rules and to share experiences on

the work of SAIs in the field of fiscal policy. Emphasis was placed on best practices and the exchange of information among SAIs active in this area. The network also promotes the implementation of parallel and joint audits on fiscal policy matters.

- f. On 24 October, the Liaison Officer International Affairs represented the NAO at a national workshop organised by the European Commission’s EU Network Against Corruption, held at the European Commission Representation in Malta in Valletta. The EU Network Against Corruption was established by the European Commission to promote collaboration among key stakeholders, identify emerging trends and develop best practices aimed at strengthening anti-corruption policies across the EU. As part of its ongoing initiatives, during 2024 the Network conducted national workshops across all EU Member States to

facilitate stakeholder engagement, raise awareness on corruption-related issues and support the exchange of effective approaches to foster integrity in the public sector. The workshop held in Malta brought together representatives of integrity bodies, civil society organisations and academia. Proceedings were held under the Chatham House Rules to enable candid, constructive dialogue. Discussions focused on identifying cultural and systemic barriers to public sector integrity, and explored potential solutions from legislative, institutional and educational perspectives.

g. On 27 November, the Member of the ECA, Dr George-Marius Hyzler, paid an official visit to the NAO. He was accompanied by Chef de Cabinet, Mr Romuald Kayibanda, Attaché, Ms Annette Farrugia, Cabinet Member, Dr Nikola Soukmandjiev, and Cabinet Assistant, Ms Jana Jirouskova. The delegation was welcomed by the AG. During the visit, Dr Hyzler formally presented the ECA's Annual Audit Reports on the implementation of the EU Budget for 2023. These reports provided key findings from the ECA's financial and compliance audits of the EU budget. The presentation was followed by a discussion on matters of mutual interest, including preliminary plans for the next joint ECA-NAO seminar, scheduled to take place in Malta in early 2025. In addition to the AG, the meeting was attended by the AAG Financial and Compliance Audits Section, AAG Special Audits and Investigations Section and the Liaison Officer International Relations.

h. ECA Audit Missions in Malta: Article 287(3) of the Treaty on the Functioning of the EU stipulates that ECA audits in Member States are to be conducted in liaison with

national audit bodies. This co-operation is to be undertaken in a spirit of trust while maintaining their respective independence. In 2024, the ECA undertook the following audit missions in Malta: a compliance audit on the Connecting Europe Facility – Cohesion Fund Allocation and a performance audit on Double Funding between the Recovery and Resilience Facility and the Cohesion Policy Funds.

The compliance audit on the Connecting Europe Facility was carried out in the context of the ECA Statement of Assurance for the 2023 financial year. The Maltese auditee was the Ministry for Transport, Infrastructure and Public Works.

The performance audit on Double Funding between the Recovery and Resilience Facility and the Cohesion Policy Funds was undertaken to review whether Malta had set up and implemented adequate systems to prevent, detect and correct double funding, among other objectives. The Maltese auditee was the Ministry for European Funds and the Implementation of the Electoral Programme.

#### Other international organisations and participation in international fora

International engagement fosters long-term partnerships and networks that can support collaborative audits, technical assistance and mutual capacity development. This collaboration not only enhances the NAO's effectiveness but also contributes to stronger, more resilient public institutions both in Malta and globally.

a. On 25 March, the DAG attended the OECD Auditors Alliance Annual Meeting, held in Paris. This event brought together internal and external public sector auditors

worldwide to discuss good practices, methodologies, innovations and common challenges. Key topics included the role of audit in proactively mitigating integrity risks, enhanced collaboration within the accountability ecosystem and with law enforcement agencies, and the need to upskill audit resources in response to evolving fraud techniques. The emergence of AI in the public sector and its implications for SAIs was also a significant focus. The conference emphasised breaking down barriers between internal and external auditors to foster greater co-operation. Additionally, the meeting addressed the new International Professional Practices Framework, published by the Institute of Internal Auditors in January 2024.

- b. On 26 and 27 March, the DAG attended the OECD Global Anti-Corruption and Integrity Forum at the OECD Conference Centre, Paris, during which the new OECD Anti-Corruption and Integrity Outlook was officially launched. This publication builds on the latest OECD Public Integrity Indicators and underscores the importance of resilient integrity frameworks in addressing global challenges, such as climate change and digital transformation. The Forum featured sessions on emerging technologies, including the use of AI to combat fraud and corruption, strategies to deter illicit financial flows, and the vital role of the private sector in strengthening anti-corruption efforts, supported through the collaborative platform offered by the OECD. Marking the 25th anniversary of the OECD Anti-Bribery Convention, the Forum also dedicated a session to reviewing the progress made by signatory countries, sharing implementation experiences and discussing future challenges. Experts explored how the Convention could evolve to remain relevant and effective in the face of emerging risks.
- c. On 11 and 12 April, the AG participated in the International Auditors Meeting, held in Berne, organised by the Swiss State Secretariat for Economic Affairs in collaboration with the Swiss Agency for Development and Co-operation, the Swiss State Secretariat for Migration and the IDI. The event focused on co-operation between SAIs and internal audit authorities. The Director General of Malta's IAID, Mr Kevin Agius, also attended. During the meeting, the AG presented a case study highlighting the practical collaboration between the NAO and the IAID, which was recognised as a good practice example. Participants, representing both national and internal audit bodies, welcomed the opportunity to share and discuss issues surrounding this topical subject in public sector auditing. The emphasis on continuously enhancing good governance within the public sector was notably reinforced by the Director General of the IDI, Mr Einar Gorrissen.
- d. On 17 and 18 April, the AG participated in the 26th UN INTOSAI Symposium, held in Vienna, Austria, which brought together nearly all INTOSAI members. The symposium highlighted the crucial role of SAIs in supporting the timely, effective implementation of climate action, with particular reference to SDG 13, which focuses on urgent measures to combat climate change and its impacts. The importance of tools like ClimateScanner was emphasised as a means to address these co-ordination challenges. Following deliberations, the symposium concluded with the unanimous adoption of the Conclusions and Recommendations.
- e. On 21 May, the DAG participated in a webinar organised by the Centre of



*Delivery of a presentation by the DAG, Mr Noel Camilleri, during the CEF workshop, titled Advancing Public Sector Asset Management: Sharing Good Practices and Fostering Co-operation, in Ljubljana on 23-24 September 2024*

Excellence in Finance (CEF) focused on The Role of SAIs in Managing Public Assets. During the event, the DAG presented the NAO’s joint performance and compliance review on the leasing of private property by government. Building on previous CEF events, the webinar highlighted the critical role of SAIs in enhancing asset efficiency, providing actionable recommendations and conducting periodic follow-ups. Discussions also emphasised the importance of clear regulatory frameworks, robust information systems and effective enforcement mechanisms for public asset management.

f. On 22 June, the AAG Performance Audits Section represented the AG at the Cerimonia di Premiazione held at the historic Abbey of Santa Maria del Patire in Rossano, Calabria. The event was organised by the Associazione Tonino

Madeo, a non-governmental organisation committed to honouring the legacy of President Mr Antonio Madeo, a former magistrate whose career was marked by a lifelong dedication to promoting good citizenship and ethical governance, particularly among younger generations in Calabria. On behalf of the NAO, the AAG Performance Audits Section delivered an address congratulating the awardees and emphasising the Office’s commitment to values, such as accountability, transparency and institutional trust, all fundamental to fostering active, responsible citizenship.

g. Between 23 and 25 September, the DAG attended two consecutive events in Slovenia, which focused on public sector asset management and sustainable public finances, respectively. On 23 and 24 September, he participated in the CEF

workshop, titled Advancing Public Sector Asset Management: Sharing Good Practices and Fostering Co-operation, in Ljubljana. The DAG delivered a presentation on The Role of Supreme Audit Institutions in Strengthening Transparency and Accountability in Public Asset Management (Land and Buildings) – The Perspective of the NAO, based on the NAO’s audit experience in this area. He also contributed to a panel discussion during the workshop. This event, supported by the CEF’s three-year Efficient Public Sector Asset Management programme, focused on building capacity, aligning reforms with international standards and enhancing knowledge sharing. Key topics included asset management’s contribution to sustainability, challenges in public financial management, and the role of SAIs in accountability and transparency. Following the workshop, on 25 September, the DAG attended the joint CEF and CIPFA conference, Charting a Greener Horizon: Navigating Towards Sustainable Public Finances. This conference addressed critical issues, such as sustainability in

public finances, climate change, non-financial reporting, integrated reporting and long-term government policies for sustainable economies. It brought together officials from ministries of finance, audit institutions, central banks and other public entities.

- h. On 21 and 22 November, a Senior Auditor in the Performance Audits Section participated in two online information sessions organised as part of the 2024 UN Climate Change Conference. The sessions focused on critical themes shaping climate policy and innovation: Towards a Green and Digital Future; and Mission-Oriented Policies for Net Zero: Combining Technological and Social Innovations to Deliver on Ambitious Agendas. These sessions provided valuable insights into the integration of green and digital transitions, as well as innovative approaches to achieving net zero targets through a combination of technological advancement and societal engagement.



### **11 local councils did not submit audited financial statements to NAO by deadline**

*57 local councils, six regional councils and the Local Councils Association submitted their audited accounts to the National Audit Office (NAO).*

*“Despite that these were expected to be received by end of June 2024, 11 Local Councils did not submit the audited financial statements to this Office by the ultimate deadline of mid-October 2024. To this effect, the Auditor General stresses the immediate need for the Councils to submit their audited accounts, as required by law, in a timely manner. Non-submission cannot be tolerated any further,” it said.*

**The Malta Independent, 16 December 2024**

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National Audit Office

TWO

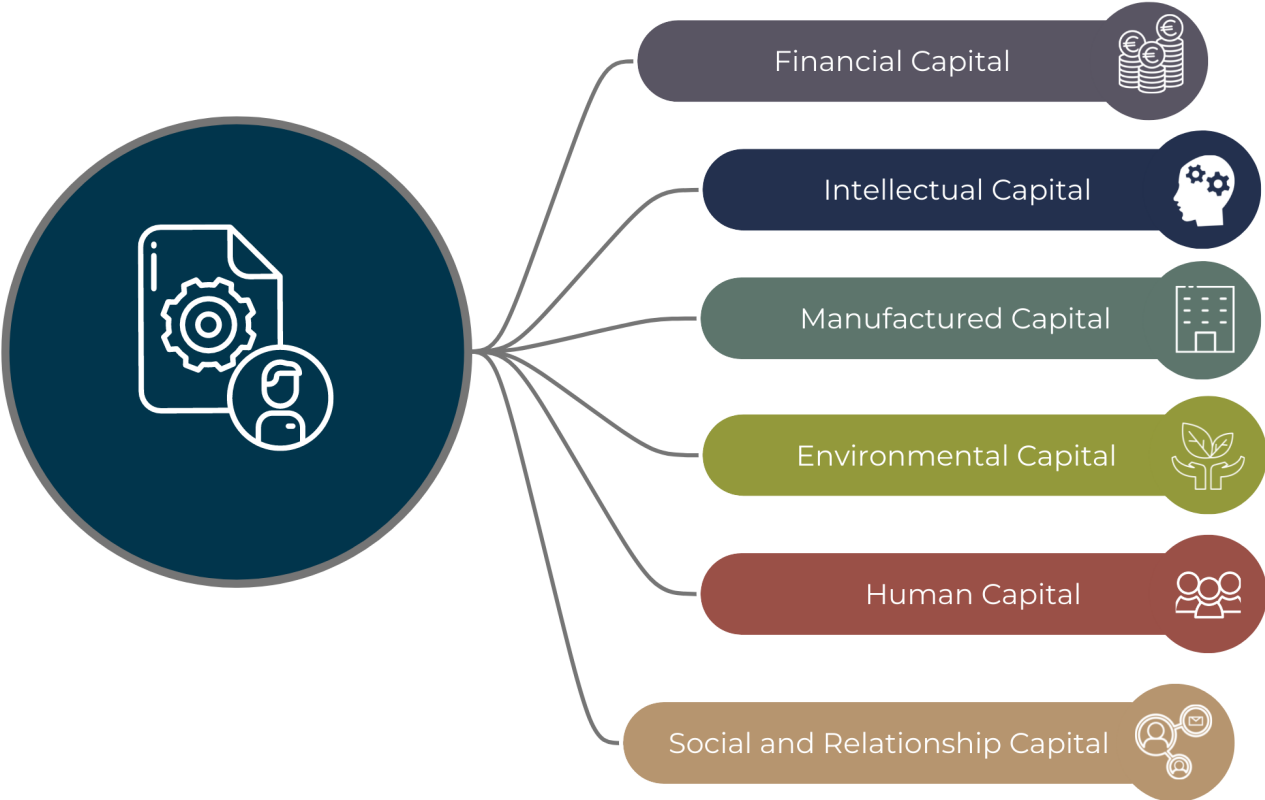


L.E.T. PROF. GUIDO de MARCO



# NAO Business Model 2024

The Office’s business model represents the various business processes aimed at converting the relevant inputs into corresponding outputs and outcomes for the distinct NAO capitals. These processes collectively generate long-term value and support the implementation of the NAO’s strategic objectives. This year, the NAO has classified each capital according to whether it has ESG implications, and whether the capital relates to internal or external operations.



## Financial Capital

The NAO's financial capital comprises the annual budgetary allocation received from the State Budget. This funding underpins the Office's ability to fulfil its constitutional and legal mandate. The NAO is committed to:

- a. ensuring the responsible and efficient utilisation of these resources in accordance with the principles of propriety, regularity and value for money; and
- b. maintaining accurate, transparent and equitable financial accounting and reporting, as reflected in its audited financial statements.

## Intellectual Capital

The NAO's intellectual capital comprises a broad spectrum of audit methodologies and practices, including financial and compliance audits, performance audits, special and investigative audits, and IT audits. It also encompasses all other knowledge-based processes and strategic initiatives that support the effective delivery of the Office's constitutional and legal responsibilities.

## Manufactured Capital

The NAO's manufactured capital refers to the physical infrastructure and tangible assets that support the effective execution of its mandate. This includes the Office's main premises in Floriana, storage facilities in Valletta, as well as office furnishings, IT systems and other essential equipment. On 12 January 2024, the Planning Authority approved the extension project of the NAO's main building in Floriana to function as a resource centre, further enhancing its operational capacity.

A number of environmental measures are being taken to ensure energy efficiency in the new building. These

include the use of photovoltaic panels for water heating and night lighting of the external areas. Rainwater collection systems will be upgraded and improved for an increased volumetric capacity.

The new structure is designed to aesthetically integrate within the existing Notre Dame Ravelin ambience. Consistency with the architectural language of the existing adjacent building will be maintained. The project's focus will be to promote the historical aspect of the surrounding bastions and to present an enjoyable walk-through experience of the panoramic views offered across the Ravelin perimeter.

The fortifications will be retained in their entirety and any damaged stone wall parts, which are accessible from the project site, will be restored, subject to archaeological monitoring and supervision, and to controlled method statements. Measures will be taken to promote and enhance the visual aspect of the fortifications as seen from within the project area. This includes new adaptive lighting, landscaping, and improved and embellished access for physically impaired persons.

## Environmental Capital

The NAO promotes energy-efficient initiatives in the Office. There has only been a marginal increase in energy costs from 2023, and the 2024 cost for utilities is still lower than the cost in 2019. To ensure energy efficiency in the current NAO building, several measures are in place:

- a. **Use of energy-efficient appliances** – All newly purchased equipment and appliances meet energy-efficient standards (such as Energy Star or EU energy labels), reducing overall consumption.

- b. **Efficient lighting fixtures** – The building has adopted light-emitting diodes in many areas, which consume significantly less electricity compared to traditional lighting.
- c. **Scheduled maintenance** – Regular maintenance of air-conditioning units and other equipment helps ensure they operate at peak efficiency, avoiding excess energy draw due to malfunction or wear.
- d. **Energy management policies** – Staff are encouraged to turn off lights, IT equipment and appliances when not in use. Automatic timers or motion sensors are installed in less-used areas to minimise wastage.

NAO officers are encouraged to access documents and publications in digital format rather than printing hard copies. This explains the reduction in the cost of materials and supplies in 2024 when compared to the previous year.

The cost of transport and travel expenses rose in 2024. This is because the NAO significantly increased its interaction with a number of foreign SAIs and attended various international meetings that necessitated the presence of NAO representatives.

### Human Capital

Human capital represents the collective expertise, skills and competencies that are vital for the NAO to execute a wide range of audits. Office staff possess extensive knowledge across various disciplines that align with the NAO’s core responsibilities. To enhance employee capabilities and support ongoing professional development, the NAO offers a number of training programmes.

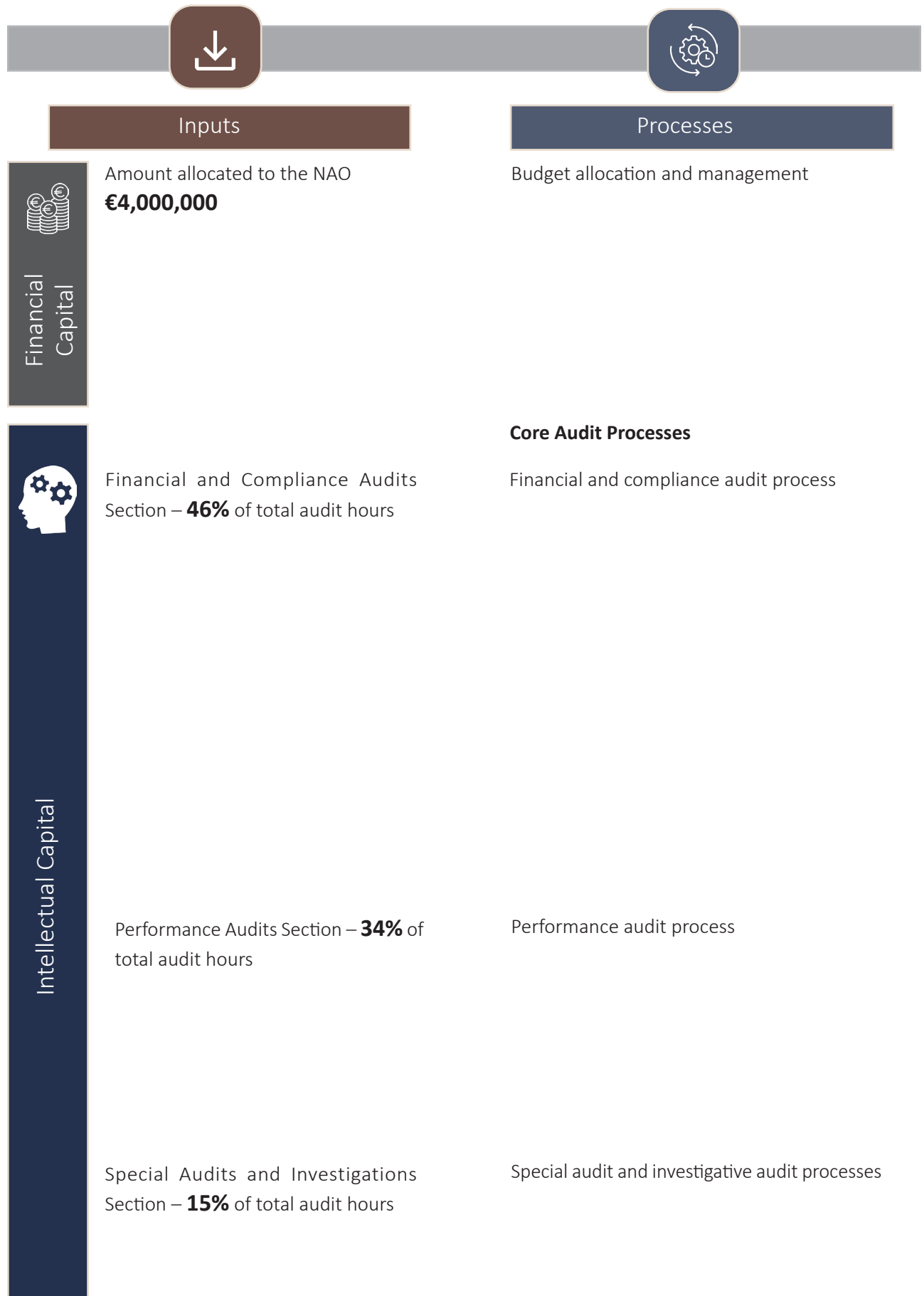
The Office is also dedicated to fostering a positive, inclusive work environment, offering competitive remuneration packages, attractive employment conditions, family-friendly measures and health insurance coverage. In addition, a variety of policies have been drafted and implemented to promote employee health and well-being. The NAO’s commitment to equality is demonstrated by its recertification in 2023 of the Equality Mark by the National Commission for the Promotion of Equality, reaffirming the NAO’s ongoing dedication to the principles of fairness, equality and inclusivity at the workplace.

### Social and Relationship Capital

The NAO engages with a broad range of stakeholders while upholding its institutional independence. Parliament remains its principal stakeholder, with audit reports and other evidence-based publications being presented by the AG to the Hon. Speaker of the House of Representatives to table at the next parliamentary sitting.

Auditees also constitute a key stakeholder group. Audit reports issued by the NAO include recommendations aimed at addressing shortcomings identified during the audit process. Other important local stakeholders include the public, non-governmental organisations and the media.

At the international level, the NAO actively participates in working groups, task forces and professional networks, and contributes to meetings and webinars hosted by foreign audit institutions and organisations. The Office also responds to international questionnaires, surveys and other information requests. A number of NAO articles have been featured in international journals and newsletters, reinforcing its contribution to the global audit community.





## Outputs

Financial statements

2024 Report by the Auditor General on the Public Accounts 2023, including the results of **32** financial and compliance audits, an extensive analysis of the Financial Report 2023, Arrears of Revenue and the results of an *ad hoc* audit on the Malta School of Music

2024 Report by the Auditor General on the Workings of Local Government for the year 2023

Follow-up Audits Report – Volume I consisted of **10** financial and compliance follow-up audits

**4** performance audit reports

Follow-up Audits Report – Volume II consisting of **4** performance follow-up audits (apart from **1** IT follow-up audit)

**1** special audit

Updated NAO Code of Ethics (**667** hours)



## Outcomes

Operated within allocated financial parameters, ensuring judicious use of public funds and good governance practices

The promotion of financial propriety and regularity in central government ministries and departments, and public entities

Encouraging financial propriety and regularity in local government

Ensuring that recommendations proposed by this Office are followed up by auditees

Consolidating economy, efficiency and effectiveness considerations in government operations

Ensuring that recommendations are followed up by auditees

The promotion of good governance practices in the public sector, especially related to high-value procurement and concession agreements

Improved ethical framework and standards at the NAO





## Outputs

### 1 IT audit report

Follow-up Audits Report – Volume II consisting of **1** IT follow-up audit (apart from **4** performance audit follow-ups)

NAO Annual Report and Financial Statements 2023

Audit manuals and procedural guidelines

NAO Strategy Action Teams' output for the implementation of the NAO Strategy

Auditee feedback analysed by senior management

New website currently operational

Competency Framework used in recruitment and performance appraisal processes

Used to manage the implementation of the NAO strategy and for audit management purposes



## Outcomes

Improved IT security and governance

Ensuring that recommendations proposed by this Office are followed up by auditees

Providing an overview of the NAO's activities for 2023, thus promoting public awareness and engagement

Increasingly provide objective and methodologically sound assessments, ensuring audit reports are credible, reliable and actionable

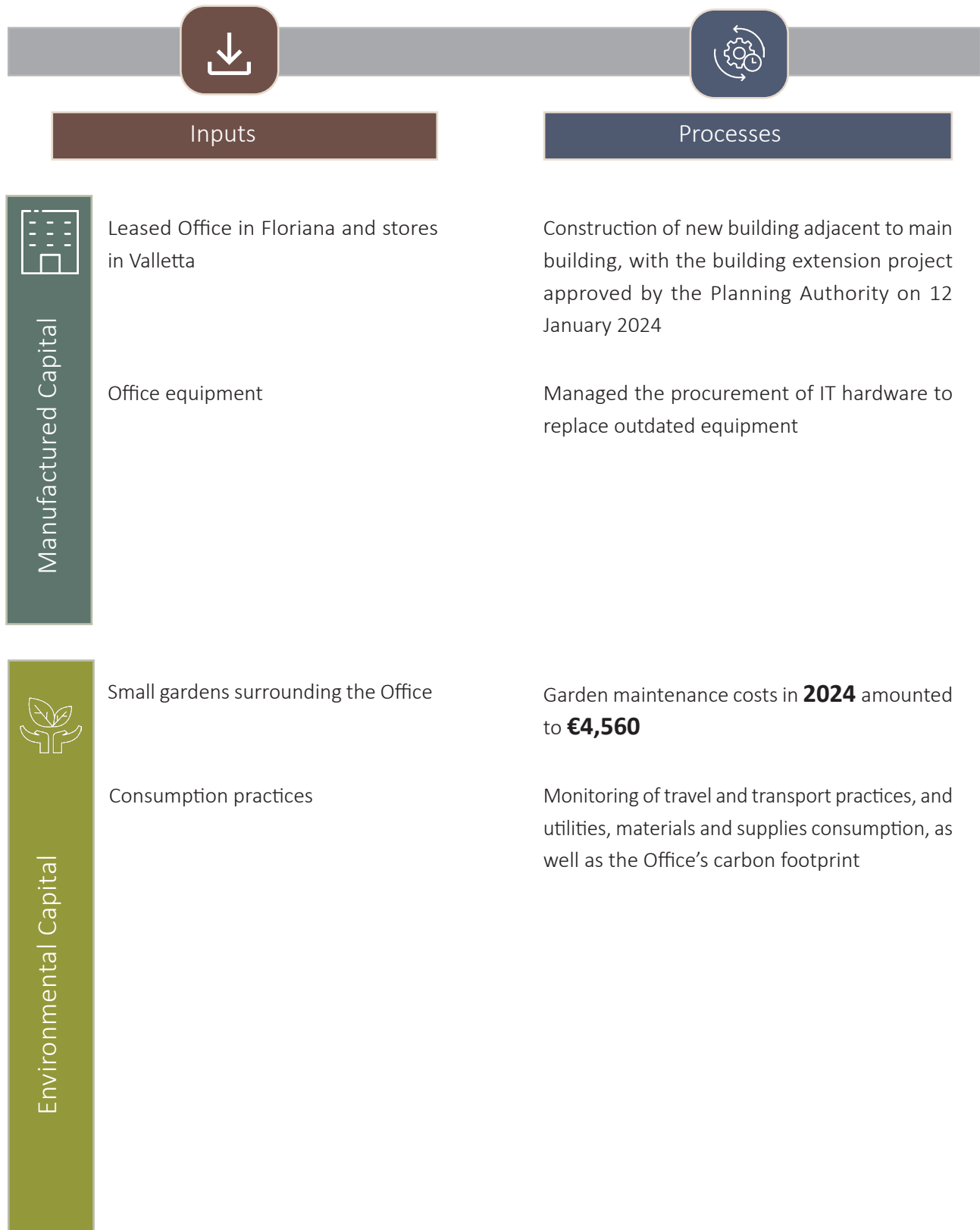
Strengthened governance and public accountability, improved audit quality and audit impact, increased stakeholder engagement, and the advancement of technology and innovation in auditing

Enhanced audit approach, audit process, reporting and professional behaviour of our staff

Improved NAO visibility and stakeholder engagement

Enhanced recruitment and performance management practices that ensure human resources align with international standards and promote a culture of accountability and professional growth

Better monitoring of progress of the NAO strategy and audit plan implementation, improving Office governance





## Outputs

When completed, the building project will result in an energy-efficient fully functional resource centre that will complement the current building, annex and stores

Procurement of modern IT hardware

Well maintained small gardens surrounding the Office

Expenditure on travel in **2024** amounted to **€80,451**, a **98%** increase over the expenditure in **2023**

Transport expenses in **2024** amounted to **€19,721**, a **33%** increase from the cost in **2023**  
Expenditure on utilities in **2024** amounted to **€22,074**, only marginally higher than the cost incurred in **2023**

Expenditure on materials and supplies amounted to **€4,167**, a **21%** decrease from the cost incurred in **2023**

Carbon emissions of **61kg** of CO<sub>2</sub>/day, representing a **2%** increase on **2023**



## Outcomes

Increased space and capacity, enhanced functionality and modernisation, and better employee experience

Improved operational efficiency, and enhanced employee experience and productivity

More pleasant environment for employees

Increased transparency and public accountability regarding environmental impact

Reduction in materials and supplies expenditure, reflecting improved sustainability and adherence to green policies



Inputs

Processes

Human Capital



**50** auditors and **13** IT, Administrative and Support Staff as at 1 January 2024

Auditors qualified in various fields, including accountancy, management, law, engineering, sustainable infrastructure, creativity and innovation, applied statistics, certified information systems and/or security management, as well as auditors with an audit practising certificate, a diploma or certificate in IPSAS, and others

Gender equality

Health and well-being of employees

Employee remuneration and employment conditions

Participation in various training and audit-related webinars

Number of hours spent on professional training – **3,058** auditor hours, including participation by **30** accountants in the second part of a joint NAO and CIPFA training programme on International Public Sector Accounting Standards (IPSAS), and participation by **29** auditors in a joint NAO and Department of Contracts course on public procurement

A structured certification process that demonstrates commitment to gender equality

Development and enhancement of well-being and support policies and programmes

Talks are underway to update the current collective agreement that expired in 2024



## Outputs

**49** auditors and **15** IT, administrative and support staff as at 31 December 2024

Obtained recertification of the Equality Mark in 2023

High take-up of family-friendly measures and hybrid working opportunities  
Health insurance policy provided to all employees within the Office  
NAO policies on employee well-being-related matters

Employees benefit from a collective bargaining process undertaken between management, employee representatives and unions to provide for the best possible employment conditions to employees  
All employees are on an indefinite contract of employment



## Outcomes

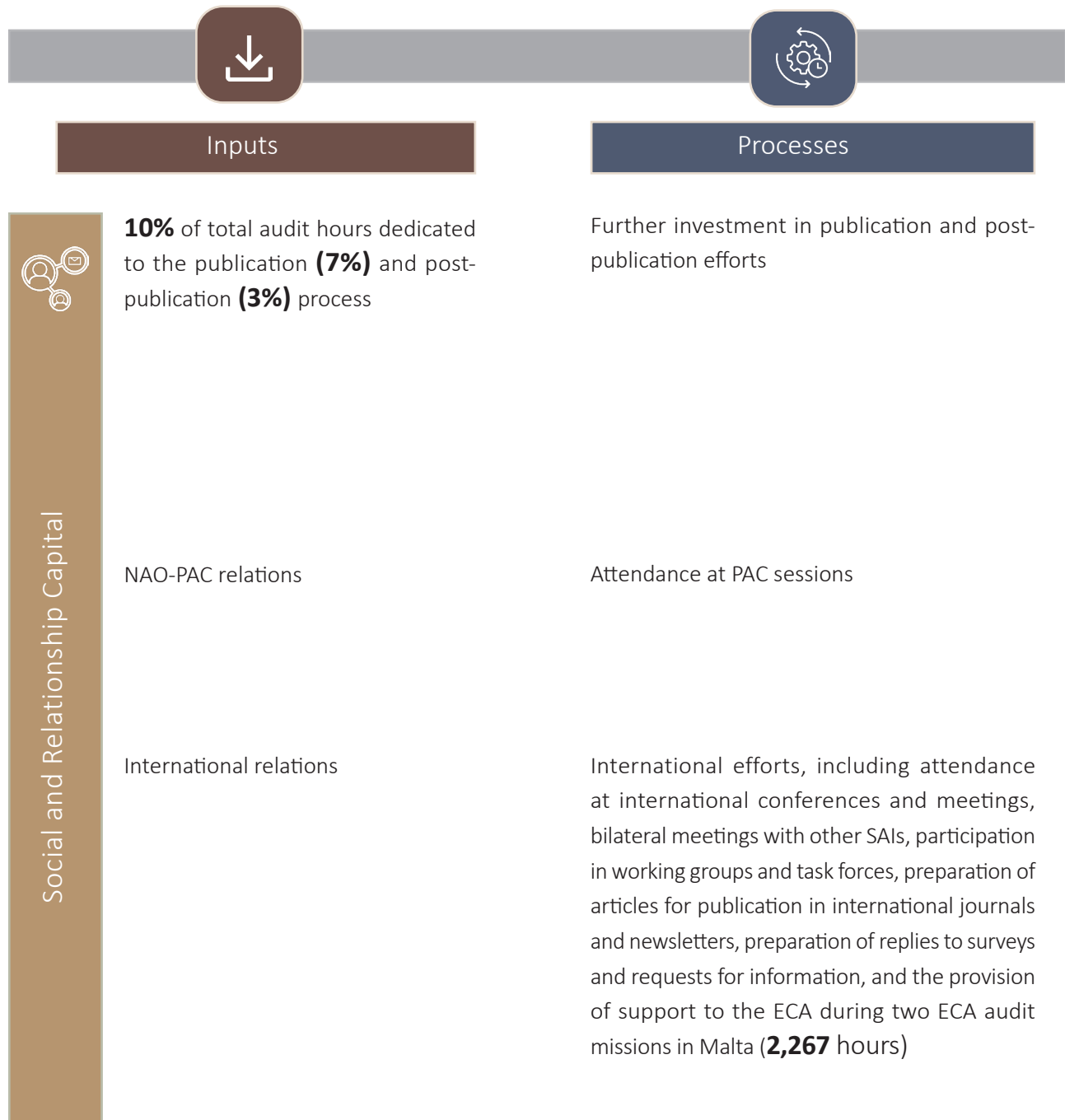
More highly skilled, engaged and adaptable workforce

Moving towards the NAO's vision: 'To provide a multidisciplinary professional service to Parliament, government and the taxpayer, and to be an agent of change conducive to achieving excellence in the public sector'

A workplace respecting equality and diversity

Enhanced workforce productivity, performance and retention, fostering a positive work culture

Ensuring the NAO's social sustainability by providing the best possible employment conditions for employees





## Outputs

Enhanced presentation of audit reports, including increased use of infographics in audit reports and video productions

**11** audit reports and other NAO publications communicated to the public through Press Releases, the NAO website and Facebook page

**5** NAO Audit Reports discussed across **22** PAC meetings in **2024**

**8** bilateral meetings with other Heads of SAIs and with the ECA, as well as courtesy meetings with other foreign dignitaries

Attendance at **33** international meetings abroad

The publication of **4** articles that appeared in the INTOSAI Journal (**1**), the ITWG newsletter (**1**) and in the EUROSAI WGEA newsletters (**2**)

Replies to **17** surveys and requests for information from international stakeholders



## Outcomes

Wider outreach, visibility and accessibility of audit reports

As in previous years, NAO reports received extensive national and private media coverage  
NAO **2024** reports regularly featured in news portals, print, social and all mass media

This Office identified at least **62** items of TV coverage and at least **128** articles in news portals

Enhanced public accountability, strengthened implementation of audit recommendations, resulting in improved governance and compliance within the Public Sector

Increased NAO exposure in international fora, resulting in strengthened global credibility and reputation, enhanced institutional capacity and knowledge sharing

## NAO Strategy 2024–2028: Enhancing Audit Impact

### Strategic Goals

The NAO Strategy 2024–2028 sets out a forward-looking agenda structured around five strategic goals, each accompanied by sub-goals and a detailed action plan. These goals are aimed at strengthening the institution's core capacities, increasing the relevance and impact of its work, enhancing engagement with stakeholders, improving its profile and public visibility, and preparing the Office for future developments in auditing methodology and technology. All goals and sub-goals relate to one or more sustainability matters.

### Strengthening Institutional Capacity

#### Quality of work

The NAO aims to take concerted steps to continuously improve the quality of its audit work. As part of this commitment, the Office has systematically identified areas requiring improvement under the SAI PMF, particularly those related to adherence to the ISSAIs. These areas are being prioritised and a comprehensive action plan is being implemented across the Strategy period.

One key area involves the implementation of more robust quality control and quality assurance mechanisms throughout the Office to ensure that the outcomes of audits are consistent and reliable, instilling confidence in the NAO's work. Another area involves a comprehensive review and update of audit manuals across all audit streams, intended to ensure alignment with current ISSAI requirements and evolving audit practices.

In tandem, the NAO is conducting an in-depth review of its Code of Ethics, benchmarking it against international standards and leading practices from other SAIs. The revised Code will be supported by a robust set of internal procedural requirements, including policies and governance frameworks, to ensure its effective adoption and consistent application across the organisation.

The NAO also aims to invest in its people. A comprehensive approach to staff training and development is being undertaken, starting with the development of an induction programme for new recruits and extending to a skills gap analysis and training needs assessment for all staff. The aim is to ensure that auditors are equipped with the knowledge and competencies required to deliver high-quality audits that meet emerging demands.

Furthermore, the NAO aims to review and streamline key audit processes through the development of updated standard operating procedures and guidelines to promote greater consistency, efficiency and adherence to best practices.

#### Restructuring

The Office is committed to reviewing and, where necessary, restructuring its organisational set-up to better respond to emerging issues and evolving challenges and opportunities. The objective is to ensure that the organisational structure remains fit for purpose and agile enough to support the Office's strategic goals and operational requirements. In doing so, the NAO will continue to prioritise the quality, expertise and versatility of its staff over sheer numbers, recognising that its impact depends on the professionalism, objectivity and competence of its workforce.

## Enhancing Audit Impact

### Reader-centric reports

To increase the relevance, accessibility and impact of its audit reports, the NAO intends to undertake a comprehensive review of its current reporting style and presentation. This initiative will include an evaluation of the structure, language and formatting of recent reports to assess their readability and user-friendliness.

The Office will draw on feedback gathered during the consultation phase of the NAO Strategy, as well as input from auditees and other stakeholders following the publication of audit reports. Comparative research into reporting styles and formats adopted by other SAIs will be carried out to identify best practices across different types of audit products. The NAO may also seek expert advice from academia and media professionals to better understand effective communication strategies and refine its approach to public sector reporting.

Based on these insights, the Office will draft updated guidelines to support the production of audit reports that are not only technically robust but also clear, engaging and accessible to a wider audience. Emphasis will be placed on the report structure (including length), clarity of language and consistent layouts.

Mechanisms will also be established to ensure adherence to these guidelines across the Office. In parallel, the NAO will explore the feasibility of introducing a centralised editing and proofreading function to further improve the consistency, quality and professional presentation of its audit reports.

### Actionable recommendations

The NAO is placing greater emphasis on ensuring that its audit recommendations are clear, feasible and capable of driving meaningful improvement. Informed by findings from audit follow-ups and stakeholder feedback, the Office is undertaking a review of the format and substance of its recommendations.

Particular attention is being given to justifications provided by auditees for non-implementation, with a view to identifying ways to enhance the relevance and degree of implementation of the recommendations issued. To support this, the NAO is developing new internal guidelines on drafting recommendations, with a focus on clarity, specificity and alignment with the operational context of auditees.

The use of root cause analysis is being encouraged to ensure that recommendations address underlying issues rather than symptoms. This approach aims to strengthen the usefulness and impact of audit recommendations, making them more actionable and better suited to support real improvements in public sector governance and service delivery.

### Introducing new products and activities

To better respond to emerging risks, stakeholder expectations and developments in the public sector landscape, the NAO is committed to exploring the introduction of new audit products and initiatives that complement its traditional work and enhance its overall impact. Drawing on feedback from the NAO Strategy consultation process, as well as a review of international practices adopted by other SAIs, the Office will identify opportunities to diversify its outputs and introduce innovative approaches that

address current gaps in existing reporting processes and better meet the needs of different audiences.

This work will be supported by desk research to gather relevant examples, alongside the drafting of guidelines to define the objectives, methodologies and formats of each proposed product or initiative. Potential topics or areas for piloting will be identified in consultation with senior management and audit teams, ensuring alignment with strategic priorities and operational feasibility. Through this forward-looking approach, the NAO aims to remain agile, relevant and responsive in a rapidly changing accountability environment.

## Communication with Stakeholders

### Information sharing

The NAO aims to establish a more structured and strategic framework for information exchange with other public sector oversight entities, without impairing its independence. As part of this initiative, the Office will be identifying oversight bodies and stakeholders whose mandates, operations or areas of expertise intersect with those of the NAO and where greater co-operation could support the achievement of shared objectives. There will be a focus on pinpointing areas where information sharing and collaboration can generate added value, strengthen oversight and promote good governance.

To formalise these relationships, the NAO will be adopting a high-level template for an MoU that will outline key elements, such as the purpose, scope and objectives of co-operation, roles and responsibilities, governance and communication arrangements, confidentiality of shared data and mechanisms for resolving potential disputes. This initiative will lay the groundwork for more consistent and transparent engagement with key institutional partners, fostering clearer channels of co-operation

and mutual understanding, and reinforcing the NAO's role within the wider accountability system.

### Enhanced auditee communication

Effective engagement with auditees across the audit cycle is essential to achieve audit objectives and maximise impact. Accordingly, the NAO aims to develop formal communication protocols to guide structured interactions during the planning, execution, reporting and follow-up phases of audits. These protocols define key contact persons, as well as identify preferred communication channels, frequency and responsibilities, ensuring consistency with the proposed streamlined audit processes. To this effect, a protocol for the timely submission of information and documentation was agreed and signed between the Principal Permanent Secretary and the NAO on 21 February 2025.

Additionally, the NAO also aims to develop a standard operating procedure to better integrate auditee feedback and any potential constraints to auditee operations caused by the audit into the audit planning phase, aiming to align audit priorities with auditee needs and reducing operational disruption.

## Optimising NAO's Profile and Public Visibility

### Outreach and engagement

The NAO recognises the importance of strengthening its relationships with external stakeholders without impairing its independence. In this respect, a comprehensive review of current outreach activities, such as lecturing, conducting workshops and issuing publications, will be undertaken. As part of this process, a stakeholder analysis will be carried out to identify the NAO's key stakeholders, assess their level of interest in and influence over the NAO's work, and evaluate current forms of engagement. This analysis will also help to pinpoint areas where engagement

can be improved or expanded. In parallel, the NAO will explore new channels and platforms, such as social media, public fora and advisory committees, that could be used to enhance communication and interaction with its stakeholders.

Based on the findings of the review and stakeholder analysis, the Office will develop a set of proposals for new outreach and engagement activities. These proposals will be closely aligned with the NAO's strategic objectives and will be designed to promote a broader understanding of the NAO's role, increase the visibility of its work and strengthen its relationships with stakeholders in a meaningful and sustainable way.

#### Improved online presence

The NAO is dedicated to enhancing its digital visibility and engagement, recognising the growing importance of an effective, strategic online presence. This includes a comprehensive review and update of the NAO website, aimed at improving functionality, user experience, navigation and accessibility, with the goal of making information more readily available and understandable to a wider audience.

In parallel, the Office will develop protocols for the dissemination of audit results, organisational updates and other content on social media platforms to ensure communication is consistent, accurate and aligned with the NAO's values and tone. This process involves analysing both the Office's official social media practices and any informal communication carried out by NAO staff to identify areas for improvement and standardisation.

To support and sustain these enhancements, a detailed resource assessment is required to identify the human resources, specific skills, IT infrastructure and financial support required to effectively manage and grow the NAO's online presence. This assessment

will also examine existing capabilities and highlight any critical gaps in expertise or capacity. Based on these findings, the Office will develop a clear, actionable plan to strengthen its digital outreach, ensuring that the necessary support structures are in place to enable long-term, meaningful engagement with stakeholders across multiple digital platforms.

## Advancing Methodology and Technology

### Technology-driven innovation in auditing

To remain at the forefront of audit excellence, the NAO is committed to actively identifying and piloting new technologies and methodologies to enhance its audit and corporate processes. Attention is being given to data analytics, AI applications and specialised software for financial auditing. This initiative will be informed by a structured assessment of the Office's current challenges and opportunities, including feedback from staff and relevant stakeholders. The aim is to identify technologies and methodologies that are relevant, feasible and attainable, and that can significantly contribute to audit quality, efficiency and effectiveness.

Recognising the value of external collaboration, the NAO will also work to establish contacts with SAIs, academic institutions and organisations recognised for their leadership in technology use within public sector auditing. These relationships aim to foster knowledge exchange, encourage co-operation on joint initiatives and strengthen the Office's innovation capacity. Internally, champions will eventually be identified to promote the adoption of approved technologies, mentor peers and provide hands-on support to audit teams as they incorporate new tools in their work. These champions will also help identify audits or tasks where technological integration can add immediate value, building momentum and cultivating a culture of innovation across the Office.

### Training in new technologies

In parallel with efforts to introduce new tools and methodologies, the NAO aims to develop a dedicated training plan to ensure staff are equipped with the necessary skills to apply these tools and technologies effectively. This training strategy begins with the identification and review of available programmes, workshops and courses that align with the Office's needs and strategic direction. The quality, relevance, accessibility, cost and delivery format of each training opportunity are being assessed to ensure that the most suitable options are selected.

A comprehensive report will compile shortlisted training opportunities, providing clear guidance on offerings that can be used for staff development in both the short and long term. Ultimately, these training efforts are designed to mainstream technological capability across audit teams, ensuring that staff are confident and competent in using new tools and technologies. Through a combination of formal training and ongoing peer support from internal champions, the NAO aims to embed innovation into its operational culture, enabling it to respond effectively to evolving audit challenges and to lead by example within the public sector audit community.

### Strategy Action Teams

A number of Action Teams and a Working Group have been set up to implement these strategic goals. The ones set up in 2024 comprised:

- Action Team 1 Adherence to ISSAIs
- Action Team 2 Strengthening the Ethical Framework
- Action Team 3 Staff Training and Development
- Action Team 6 Exploring New Products and Activities

- The Permanent Working Group on EU Funds

### Action Team 1 – Adherence to ISSAIs

This Action Team is led by the Audit Manager in the Performance Audits Section, Mr Simon Vassallo. The INTOSAI has developed a comprehensive set of guidelines to ensure high-quality public sector auditing. The ISSAIs are intended to provide guidance on standardisation, transparency and accountability, particularly with regard to:

- Independence and Legal Framework;
- Internal Governance and Ethics;
- Audit Quality and Reporting;
- Financial Management, Assets and Support Structures;
- Human Resources and Training; and
- Communication and Stakeholder Management.

In 2021, the NAO embarked on a self-assessment exercise to identify areas that could further consolidate its work practices. The SAI PMF tool, developed by the IDI, was used for this evaluation. Following a thorough review of results by NAO senior management, and the formulation of an Office-wide strategy, an Action Team was established to ensure that areas for further consolidation, as identified through the SAI PMF exercise, are duly addressed.

In 2024, this Action Team commenced its work by first determining which of the identified areas remained outstanding. In this regard, a comprehensive review of the SAI PMF findings was conducted, leading to the identification of key focus areas. These included the further strengthening of the Office's audit planning and quality control functions, as well as the need to update audit manuals. The identified areas were subjected to a detailed analysis by the Action Team, with priorities assigned based on three primary

criteria: impact, urgency and resource requirements. The resulting prioritisation was documented in a formal brief, which was subsequently presented to NAO senior management for consideration at the end of the year. A meeting has been scheduled for early 2025 with NAO senior management to discuss the proposed prioritisation and to establish a way forward.

### Action Team 2 – Strengthening the Ethical Framework

This team is led by the AAG Special Audits and Investigations Section, Mr Keith Mercieca. The revision of the NAO Code of Ethics represented a significant step in strengthening the ethical framework guiding the institution's operations. This process was driven by the adoption of ISSAI 130 in 2016. While the NAO's original Code of Professional Conduct was published in 2008, a review was necessary to align it with the latest international standards, contemporary ethical expectations and developments in public sector auditing. The revised Code incorporates organisational and individual responsibilities, ensuring a structured approach to ethics that reflects the NAO's commitment to transparency, integrity and professionalism.

A key feature of the revised NAO Code of Ethics is its structured approach to ethical guidance, which includes a preamble outlining its objectives, a clear articulation of the NAO's responsibilities at an organisational level, and detailed fundamental ethical values such as integrity, independence, objectivity, competence, professional behaviour, confidentiality and transparency. Ethical considerations have been further elaborated for specific scenarios, addressing issues such as political involvement, personal financial interests and civic activism.

The process to revise the NAO Code of Ethics is being carried out through a phased approach,

ensuring broad internal engagement. After the initial drafting process, focus group discussions were held with all members of staff and the Code was revised, based on feedback received. This participatory approach undoubtedly contributed to the refinement and enrichment of the draft Code and helped ensure endorsement by all. By end 2024, a final draft was referred to senior management for its review.

### Action Team 3 – Staff Training and Development

Action Team 3, Staff Training and Development, led by the Principal Auditor in the Special Audits and Investigations Section, Ms Clare Caruana, was tasked with developing an induction course outline and material tailored to the needs of new recruits. The course aimed to cover essential topics, such as organisational culture, policies, procedures and job-specific training.

To achieve the objectives, the team members collaborated with their respective sectional AAGs, managers and colleagues to gather insight on the most relevant and suitable training areas for the programme. The suggestions were then consolidated into a draft course outline, which was shared with senior management for review, feedback and approval.

The main areas selected included:

- a. An introduction to the NAO and its internal operations:
  - overview of the NAO's role;
  - overview of the NAO's vision and mission statement;
  - an introduction to Office policies and human resources issues;

- a description of the NAO structure, its units and their respective functions; and
  - an overview of the different types of audits.
- b. An overview of the NAO and its external environment:
- an overview of the structure of the Maltese public sector, its entities and officials;
  - an introduction to the PAC, the NAO Accounts Committee and the IAID;
  - NAO's relationship with audited bodies;
  - an introduction to the government's financial framework and the EU funding process; and
  - the NAO's role with international organisations.
- c. The legal framework surrounding the NAO and its functions.
- d. An overview of the cross-cutting competencies:
- leading by example;
  - engaging effectively with stakeholders;
  - behaving in a professional manner; and
  - contributing to the values and benefits of the SAI.

The induction training course is designed to guide new recruits through their onboarding journey at the NAO, offering them a comprehensive understanding of the organisation, its values and functions. It equips them with the essential knowledge and insights needed to start their career with the NAO with confidence and clarity.

### Action Team 6 – Exploring New Products and Activities

The team is led by the Principal Auditor in the Performance Audits Section, Mr Karl Galea. It met four times in 2024, holding brainstorming sessions and coming up with a list of products and initiatives that can be potentially taken up by this Office. This list was then discussed during team meetings and each team member ranked each initiative based on the extent to which it will enhance audit impact as well as its feasibility (both in terms of resources as well as perceived endorsement by senior management).

The rankings of each member were then aggregated to identify the initiatives which, according to the team, deserved more priority. Following the assignment of priority, the team prepared a brief for the top four ranking initiatives. This brief included how the product and/or initiative will enhance audit impact, the resources required to implement it, a brief implementation plan and the key milestones that need to be achieved. These briefs were then forwarded to senior management for clear direction on which initiative the team will pursue.

### The Permanent Working Group on EU Funds

The Permanent Working Group on EU Funds was set up in 2024. The Group is responsible for identifying potential funding sources, such as grants or programmes, and ensures that these align with the NAO's goals. These goals are defined in the Office's Strategy for 2024-2028. During the last quarter of the year, the Working Group prepared a working paper identifying the scope of the group and created a database of possible funding programmes from which the Office could benefit. It is the intention of

the Working Group that the foregoing database will be continuously updated to reflect emerging funding opportunities.

## **Conclusion**

The NAO Strategy 2024-2028 sets a clear roadmap for enhancing institutional capacity, delivering impactful audits, fostering stakeholder relationships,

increasing public visibility, and adopting cutting-edge methodologies and technologies. By implementing these strategic goals through diverse Action Teams and a Working Group, the NAO aims to uphold transparency, accountability and excellence in its operations while aligning with ESG sustainability principles and contributing to the continued improvement of government performance and service delivery.



# PART THREE



# Annual Report and Financial Statements

31 December 2024

## GENERAL INFORMATION

### **Description**

The National Audit Office is established under Article 108 of the Constitution of Malta.

### **Auditor General**

Carmel Deguara

### **Deputy Auditor General**

Noel Camilleri

### **Office**

National Audit Office  
Notre Dame Ravelin  
Floriana FRN 1601  
MALTA

### **Bankers**

APS Bank Ltd  
APS Centre  
Tower Street  
Birkirkara BKR 4012  
MALTA

### **Auditors**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
MALTA

## REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE

The Auditor General presents his annual report, together with the financial statements of the National Audit Office (the “Office” or “NAO”), for the year ended 31 December 2024.

### Principal Activities

The National Audit Office conducts audits of all Ministries, Departments and Offices of the Government of Malta, and of such other public authorities or entities, including NGOs, administering, holding or using funds belonging directly or indirectly to the Government of Malta, as may be prescribed by or under any law for the time being enforced in Malta.

### Review of Results

The National Audit Office published a total of 11 reports with an average staff complement of 64 persons (equivalent to 59 full-timers). The reports consisted of four performance audit reports, one special audit report, one IT audit report, an annual report on the public accounts of 2023, an annual report on the audited financial statements of the local councils for year ending 2023, two consolidated follow-up audit reports, and the annual report and financial statements of the Office for 2023.

Year	Amount approved by NAO Accounts Committee and authorised by the House of Representatives €	Amount withdrawn €	Surplus/ (Loss) €	Number of Audit Reports Published	Average Staff Complement (full head count)
2017	3,150,000	3,150,000	42,160	14	63
2018	3,400,000	3,400,000	221,428	17	60
2019	3,500,000	3,500,000	119,862	11	61
2020	3,800,000	3,600,000	87,304	19	64
2021	3,850,000	3,850,000	291,540	15	64
2022	3,900,000	3,900,000	374,936	14	63
2023	4,200,000	4,200,000	452,868	14	62
2024	4,000,000	4,000,000	(90,763)	11	64

## Published Reports

### Financial and Compliance Audits

- i. Report by the Auditor General on the Public Accounts for the year 2023
- ii. Report by the Auditor General on the Workings of Local Government for the year 2023

### Performance Audits

- i. Performance audit on the operations of Jobsplus Law Compliance Unit
- ii. Preliminary review: leasing of private property by Government
- iii. High-level review on Enemalta's Planning and Investment in the local distribution network
- iv. Evaluating the role of the Malta Film Commission in promoting the Maltese film industry

### Special Audit

- i. An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park

### Information Technology Audit

- i. Information Technology Audit: Document Management Systems across Government

### Other

- i. National Audit Office Annual Report and Financial Statements – 2023
- ii. Follow-up Audits Report by the National Audit Office – 2024 Volume I
- iii. Follow-up Audits Report by the National Audit Office – 2024 Volume II

## Financial Review

In 2024, the Office withdrew its full budget allocation of €4 million from Central Government. Total expenditure for the year after accounting for pension contributions to the Treasury amounted to approximately €4.09 million, resulting in a slight deficit of €90,763.

Salaries increased by 9% compared to the previous year. This rise is partly attributable to an increase in the average number of full-time equivalents (FTEs) by two employees. The average salary for the 59 FTEs rose by 6% over the comparative period, in line with expectations following the revision of Civil Service grades, to which the salary structure of NAO employees is pegged. Staff turnover remained negligible, consistent with trends observed over the past decade. During the year, one employee availed of long-term unpaid leave while two new employees joined the workforce resulting in a net increase to 64 full head count at the end of December 2024.

Subcontracted audit fees for local councils remained unchanged from the previous year, as the existing tender was extended for another year under the same pricing conditions.

Administrative expenses increased by 9% compared to the previous period. This was mainly due to higher costs related to repairs and maintenance, travel, information services, and hospitality. Capital expenditure during the year was minimal. Financial prudence was maintained, as reflected in the Office's liquidity ratio, which stood at 2.13 - consistent with prior years trends indicating that total liabilities were covered by more than twice the available assets.

## Capital Commitments

The main development permit (Ref. PA/07768/21) of the building extension to house a resource centre was approved in January 2024. NAO subsequently submitted a separate application to enhance and enlarge the parking facilities, leading to a Minor Amendment (Ref. PA/07768/21/MA) submitted in November 2024. The project, located within the Notre Dame Ravelin Urban Conservation Area, is being guided by restoration and conservation principles. No capital expenditure was incurred in 2024, and with a €1.5 million capital vote allocated for 2025, the project remains in the preparatory phase, awaiting approval for the latest submission regarding the parking project facilities.

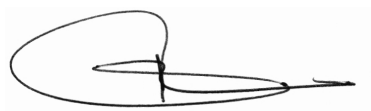
## Reserves

After accounting for the deficit of €90,763, the closing balance of accumulated funds in the statement of financial position at the end of the year amounted to € 874,762. This balance is being carried forward to the next financial period.



**CARMEL DEGUARA**

Auditor General



**NOEL CAMILLERI**

Deputy Auditor General

National Audit Office  
Notre Dame Ravelin  
Floriana FRN 1601  
Malta

28 May 2025

## STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 December 2024

	Notes	2024 €	2023 €
Government subvention	6	<b>4,000,000</b>	4,200,000
Other income	7	<b>3,000</b>	14,320
<b>Operating expenditure</b>			
Salaries and personnel expenses	8	<b>(3,203,051)</b>	(2,918,779)
Administrative and other expenses	9	<b>(535,490)</b>	(489,285)
Sub-contracted audit fees of local councils		<b>(319,427)</b>	(317,378)
		<b>(4,057,968)</b>	(3,725,442)
<b>Results from operating activities before pension costs</b>		<b>(54,968)</b>	488,878
Provision for service pensions and gratuities	11	<b>(36,013)</b>	(36,227)
<b>Results from operating activities</b>		<b>(90,981)</b>	452,651
Bank interest receivable		<b>218</b>	217
<b>(Deficit)/Surplus for the year</b>		<b>(90,763)</b>	452,868
<b>Total comprehensive (loss)/income for the year</b>		<b>(90,763)</b>	452,868

The accounting policies and explanatory notes on pages 114 to 126 form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2024

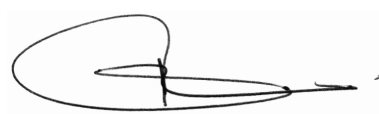
	Notes	2024 €	2023 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	10	<u>381,702</u>	470,429
<b>Current assets</b>			
Debtors and prepayments		117,616	110,041
Cash and cash equivalents	13	<u>1,081,078</u>	1,096,546
		<b>1,198,694</b>	1,206,587
<b>Total assets</b>		<b><u>1,580,396</u></b>	<b>1,677,016</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for service pensions and gratuities	11	<u>143,195</u>	168,908
<b>Current liabilities</b>			
Payables	12	502,518	482,784
Provision for service pensions and gratuities	11	59,921	59,799
		<u>562,439</u>	542,583
<b>Total liabilities</b>		<b><u>705,634</u></b>	<b>711,491</b>
<b>Reserves</b>			
Accumulated funds		874,762	965,525
<b>Total reserves</b>		<b><u>874,762</u></b>	<b>965,525</b>
<b>Total liabilities and reserves</b>		<b><u>1,580,396</u></b>	<b>1,677,016</b>

The accounting policies and explanatory notes on pages 114 to 126 form an integral part of the financial statements.

The financial statements on pages 110 to 126 have been authorised for issue on 28 May 2025 by:



**CARMEL DEGUARA**  
Auditor General of the  
National Audit Office



**NOEL CAMILLERI**  
Deputy Auditor General of the  
National Audit Office

**STATEMENT OF CHANGES IN RESERVES**  
**for the year ended 31 December 2024**

	<b>Accumulated funds €</b>
Balance at 1 January 2023	512,657
<b>Total comprehensive income for the year</b>	
Surplus for the year	452,868
<b>Balance at 31 December 2023</b>	<b>965,525</b>
Balance at 1 January 2024	965,525
<b>Total comprehensive loss for the year</b>	
Deficit for the year	(90,763)
<b>Balance at 31 December 2024</b>	<b>874,762</b>

*The accounting policies and explanatory notes on pages 114 to 126 form an integral part of the financial statements.*

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2024**

	<i>Note</i>	<b>2024</b>	2023
		€	€
<b>Cash flows from operating activities</b>			
(Deficit)/ Surplus for the year		<b>(90,763)</b>	452,868
<i>Non-cash adjustments to reconcile surplus/(deficit) to net cash flows:</i>			
Depreciation		<b>110,235</b>	119,063
Bank interest receivable		<b>(218)</b>	(217)
Provision for service pensions and gratuities		<b>36,013</b>	36,227
		<b>55,267</b>	607,941
Movement in debtors and prepayments		<b>(7,575)</b>	40,348
Movement in payables		<b>19,734</b>	(25,847)
Movement in provision for service pensions and gratuities		<b>(61,604)</b>	(61,604)
Cash generated from operating activities		<b>5,822</b>	560,838
Bank interest received		<b>218</b>	217
<b>Net cash from operating activities</b>		<b>6,040</b>	561,055
<b>Cash flows used in investing activities</b>			
Building improvements and purchase of equipment		<b>(21,508)</b>	(313,592)
Cash used in investing activities		<b>(21,508)</b>	(313,592)
<b>(Decrease)/ Net increase in cash and cash equivalents</b>		<b>(15,468)</b>	247,463
Cash and cash equivalents at 1 January		<b>1,096,546</b>	849,083
<b>Cash and cash equivalents at 31 December</b>	<i>13</i>	<b>1,081,078</b>	1,096,546

*The accounting policies and explanatory notes on pages 114 to 126 form an integral part of the financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

The National Audit Office (the “Office”) has been set up to:

- give more prominence to the role of the state audit function in Malta;
- ensure accountability in the use of public funds; and
- contribute towards the better management of public funds and resources.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards, as adopted by the EU. All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

#### 2.2 Basis of measurement

Assets and liabilities are measured at historical cost, except for the provision for service pensions and gratuities, which is measured according to the accounting policy disclosed in note 3.8.

##### 2.2.1 Going Concern

The going concern of the Office is safeguarded since the Constitution of Malta and the Auditor General and National Audit Office Act guarantee the set-up and continuous operation of a state audit institution that is funded by government, while allowing it to remain autonomous and independent from any government authority.

The budgetary request of the National Audit Office is approved by the House of Representatives following the endorsement of a parliamentary committee, the National Audit Office Accounts Committee.

Furthermore, the operations of a state audit institution have become a fundamental international requirement for any country to safeguard its system of public finances; so much so that, as of the present date, state audit institutions from 194 countries (including Malta) are full members of the International Organisation of Supreme Audit Institutions (INTOSAI).

#### 2.3 Functional and presentation currency

These financial statements are presented in euro, which is the Office’s functional currency.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2. BASIS OF PREPARATION - continued

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 11 – Provision for service pensions and gratuities.

#### 2.5 Standards, interpretations and amendments to published standards as endorsed by the EU and effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards and amendment to IFRS effective as of 1 January 2024. The adoption of these standards or interpretations did not have a material impact on the Office's financial statements or performance.

#### 2.6 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2025 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the Office's financial statements, on initial application.

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

#### 3.1 Government of Malta subventions

Government subventions allocated to the office for recurrent expenditure are taken directly to statement of comprehensive income on approval of the allocated amount in the Budgetary Estimates by the Ministry for Finance.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.2 Finance income

Finance income comprises interest receivable on bank balances. Interest is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

#### 3.3 Financial instruments

##### Non-derivative financial assets – recognition and derecognition

The Office initially recognises non-derivative financial assets on the date that they originated.

The Office derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Office is recognised as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position, when, and only when, the Office has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Office classifies its non-derivative financial assets in the debt instruments at amortised cost category, which includes cash and cash equivalents.

##### Non-derivative financial liabilities – recognition and derecognition

Financial liabilities are recognised initially on the trade date, which is the date that the Office becomes a party to the contractual provisions of the instrument.

The Office derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Office classifies its financial liabilities in the other financial liabilities category, which comprises payables.

##### Non-derivative financial assets – measurement

Debt instruments at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.3 Financial instruments – continued

##### Non-derivative financial liabilities – measurement

Non-derivative financial liabilities classified in the other financial liabilities category are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

#### 3.4 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at the banks.

#### 3.5 Property and equipment

##### Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “other income” or “other expenses” in the statement of comprehensive income.

##### Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.5 Property and equipment – continued

##### Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative years are as follows:

- Building improvements 10 years
- Equipment 5 years
- Computer equipment and software 3 years
- Motor vehicles 5 years
- Furniture and fittings 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

#### 3.6 Impairment

##### Non-derivative financial assets

The Office recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Office expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.6 Impairment - continued

##### Non-financial assets

The carrying amounts of the Office’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in statement of comprehensive income.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### 3.7 Employee benefits

The Office contributes towards the State pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as employee benefits expense in the statement of comprehensive income in the periods during which services are rendered by employees.

#### 3.8 Provisions

A provision is recognised if, as a result of a past event, the Office has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.8 Provisions – continued

The provision for service pensions and gratuities is calculated at the present value of the post-employment benefit obligations towards the Office's present and retired employees. The present value is arrived at by using a risk-free rate based on the local Government bond that matures on a date equivalent to the average number of years during which the Office is expected to effect pensions and gratuities payments.

#### 3.9 Leases

The Office elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Office rents its main building and other offices from the Government's Lands' Department, with the leases being renewable on an annual basis.

### 4. DETERMINATION OF FAIR VALUES

A number of the Office's accounting policies and disclosures requires the determination of fair value for financial assets and liabilities. For receivables and payables with a remaining useful life of less than one year, the carrying amount is deemed to reflect their fair value. Fair value is determined for disclosure purposes based on the following methods:

#### Receivables

The fair value of receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date.

#### Payables

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

### 5. FINANCIAL RISK MANAGEMENT

This note presents information about the Office's exposure to financial risks (credit risk, liquidity risk and market risk) arising from financial instruments, and the management of these risks. The Office does not have components of equity.

The Auditor General has responsibility for the establishment and oversight of the Office's risk management framework.

The Office does not enter into any transactions in derivative financial instruments to manage risks.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 5. FINANCIAL RISK MANAGEMENT – continued

#### Credit risk

Credit risk is the risk of financial loss to the Office if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which potentially subject the Office to a concentration of credit risk, consist principally of cash at bank. The Office’s cash at bank is placed with quality financial institutions.

#### Liquidity risk

Liquidity risk is the risk that the Office will not be able to meet its financial obligations as they fall due and is principally represented by current liabilities that are payable on demand.

The liquidity risk is mitigated by the fact that the Office is financially supported by the Government of Malta.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Office’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Office is not subject to currency risk since all its monetary financial assets and liabilities are denominated in the Office’s functional currency. The Office is exposed to interest rate risk on its bank balances. In view of the low interest rates in the market, a change in current market interest rates as at the reporting date would not have a material effect on the Office’s surplus or loss.

### 6. GOVERNMENT SUBVENTION

	2024	2023
	€	€
Authorised by the House of Representatives	<b>4,000,000</b>	4,200,000
Amounts withdrawn	<b>4,000,000</b>	4,200,000

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 7. OTHER INCOME

	<b>2024</b>	2023
	<b>€</b>	€
Audit fee of a Non-Government Organisation	<b>3,000</b>	3,000
Reimbursements	-	3,118
EU Funding on training project	-	8,022
Profit on sale of computer equipment	-	180
	<b>3,000</b>	14,320

### 8. SALARIES AND PERSONNEL EXPENSES

	<b>2024</b>	2023
	<b>€</b>	€
Salaries	<b>3,034,902</b>	2,766,708
Social security contributions	<b>168,149</b>	152,071
	<b>3,203,051</b>	2,918,779

The average number of persons employed by the Office during the year was as follows:

	<b>2024</b>	2023
	<b>No.</b>	No.
Senior management	<b>6</b>	6
Operating	<b>44</b>	43
Research and International Affairs	<b>2</b>	1
Administration and IT	<b>9</b>	9
Messenger staff	<b>3</b>	3
	<b>64</b>	62
Equivalent number of full-time employees	<b>59</b>	57

During the year, a total of 15 persons (2023: 15) worked on a reduced hours basis. This is equivalent to 23% (2023: 24%) of the workforce.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 9. EXPENSES BY NATURE

	<b>2024</b>	2023
	<b>€</b>	€
Auditors' remuneration	<b>7,434</b>	7,080
Professional fees	<b>51,711</b>	56,730
Depreciation of property and equipment	<b>110,235</b>	119,063
Learning and professional development	<b>12,143</b>	11,375
Other administrative expenses	<b>353,967</b>	295,037
<b>Total administrative and other expenses</b>	<b>535,490</b>	489,285

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 10. PROPERTY AND EQUIPMENT

	Building Improvements	Equipment	Computer equipment & software	Motor vehicles	Furniture & fittings	Total
	€	€	€	€	€	€
<b>Cost</b>						
At 1 January 2023	803,509	131,453	181,270	116,358	162,708	1,395,298
Additions	192,706	25,803	16,013	46,000	33,070	313,592
Write-offs/disposals	–	(9,092)	(6,242)	(29,798)	(33,151)	(78,283)
<b>At 31 December 2023</b>	<b>996,215</b>	<b>148,164</b>	<b>191,041</b>	<b>132,560</b>	<b>162,627</b>	<b>1,630,607</b>
At 1 January 2024	996,215	148,164	194,041	132,560	162,627	1,630,607
Additions	–	2,628	16,796	–	2,084	21,508
Write-offs/disposals	–	–	–	–	–	–
<b>At 31 December 2024</b>	<b>996,215</b>	<b>150,792</b>	<b>207,837</b>	<b>132,560</b>	<b>164,711</b>	<b>1,652,115</b>
<b>Depreciation</b>						
At 1 January 2023	578,375	116,566	172,771	100,401	151,285	1,119,398
Depreciation charge for the year	69,099	11,224	12,117	21,159	5,464	119,063
Released upon write-off/ disposal	–	(9,092)	(6,242)	(29,798)	(33,151)	(78,283)
<b>At 31 December 2023</b>	<b>647,474</b>	<b>118,698</b>	<b>178,646</b>	<b>91,762</b>	<b>123,598</b>	<b>1,160,178</b>
At 1 January 2024	647,474	118,698	178,646	91,762	123,598	1,160,178
Depreciation charge for the year	68,715	10,040	12,656	13,200	5,624	110,235
Released upon write-off/ disposal	–	–	–	–	–	–
<b>At 31 December 2024</b>	<b>716,189</b>	<b>128,738</b>	<b>191,302</b>	<b>104,962</b>	<b>129,222</b>	<b>1,270,413</b>
<b>Carrying amount</b>						
<b>At 31 December 2024</b>	<b>280,026</b>	<b>22,054</b>	<b>16,535</b>	<b>27,598</b>	<b>35,489</b>	<b>381,702</b>
At 31 December 2023	348,741	29,466	12,395	40,798	39,029	470,429

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 11. PROVISION FOR SERVICE PENSIONS AND GRATUITIES

The provision for service pensions and gratuities is made up as follows:

	<b>2024</b>	2023
	<b>€</b>	€
Non-current	<b>143,195</b>	168,908
Current	<b>59,921</b>	59,799
	<b>203,116</b>	228,707

Of the non-current portion of the provision, an amount of € 61,956 (2023: €77,809) refers to payments to be made after more than five (5) years from the reporting date. The movement in this provision for the current and comparative year is as follows:

	<b>2024</b>	2023
	<b>€</b>	€
Service pensions and gratuities as at 1 January	<b>228,707</b>	254,084
Movement in provisions during the year	<b>36,013</b>	36,227
Provisions used during the year	<b>(61,604)</b>	(61,604)
Service pensions and gratuities as at 31 December	<b>203,116</b>	228,707

The Office provides for the obligation in terms of Article 8A of the Pensions Ordinance, Cap. 93 of the Laws of Malta, whereby those ex-government employees, who joined the Civil Service prior to 1979 and opted to become full-time employees of the Office when it was set up as an independent government entity, are entitled to receive the same pension and gratuity rights as provided for by the Ordinance.

There are 10 persons who joined the Civil Service prior to 1979 but retired as full-time employees from the NAO. There are no further persons eligible to pension and gratuity rights as provided by the Pensions Ordinance.

In accordance with the Pensions Ordinance, the contribution sharing of the pensions and gratuities with the Treasury Department is based on the difference between the pensions and gratuities as worked out on the employee's salary on retirement from the Office and the pensions and gratuities as worked out on their salaries at the time they terminated government service to join the Office.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 11. PROVISION FOR SERVICE PENSIONS AND GRATUITIES – continued

The provision for service pensions and gratuities as at 31 December 2024 is arrived at by discounting the post-employment benefit obligations of the Office using the year-end yield to maturity of 2.81% on 5.25% 2030 I Government bonds (2023: 3.02% on 1% 2031 II Government bonds). The post-employment benefit obligations are computed after taking into consideration the following assumptions:

Average life expectancy of males and females is 80 years and 85 years, respectively (2023: males and females of 80 and 85 years, respectively), based on data published in the National Statistics Office Demographic Review.

### 12. PAYABLES

Due within one Year	<b>2024</b>	2023
	€	€
Operational and capital payables	<b>24,251</b>	9,602
Accrued expenses	<b>316,663</b>	311,578
Amount due to Treasury for pension contributions	<b>61,604</b>	61,604
Deferred Government subvention on capital expenditure	<b>100,000</b>	100,000
	<b>502,518</b>	482,784

### 13. CASH AND CASH EQUIVALENTS

	<b>2024</b>	2023
	€	€
Cash at bank	<b>1,080,673</b>	1,096,045
Cash in hand	<b>405</b>	501
	<b>1,081,078</b>	1,096,546



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## **INDEPENDENT AUDITOR’S REPORT TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of the National Audit Office (the “Office”) which comprise the statement of financial position as at 31 December 2024 and the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Office as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Office in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE – *continued***

### **Other information**

The Auditor General is responsible for the other information. The other information, which we obtained at the date of the auditor's report comprises the General Information and the Report of the Auditor General of the National Audit Office, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Auditor General for the financial statements**

The Auditor General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Auditor General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor General is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Office is in the process of being terminated in accordance with national law.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from



## **INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE – *continued***

### **Auditor's responsibilities for the audit of the financial statements – *continued***

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor General.
- conclude on the appropriateness of the Auditor General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.



**INDEPENDENT AUDITOR'S REPORT  
TO THE NATIONAL AUDIT OFFICE ACCOUNTS COMMITTEE – *continued***

**Auditor's responsibilities for the audit of the financial statements – *continued***

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink, appearing to read 'Christopher Balzan', is written over a light blue horizontal line.

*The partner of the audit resulting in this independent auditor's report is  
Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

28 May 2025

## 2024-2025 (to date) Reports issued by NAO

### NAO Annual Report and Financial Statements

July 2024 National Audit Office Annual Report and Financial Statements 2023

### NAO Audit Reports

January 2024	An audit of the contract for the provision of food and beverage services at the Malta Life Sciences Park
January 2024	Performance Audit on the Operations of Jobsplus' Law Compliance Unit
February 2024	Performance Audit Preliminary Review: Leasing of Private Property by Government
June 2024	Follow-up Audits Report by the National Audit Office Volume I 2024
July 2024	High-Level Review on Enemalta's Planning and Investment in the Local Distribution Network
October 2024	Information Technology Audit: Document Management Systems across Government
November 2024	Evaluating the role of the Malta Film Commission in promoting the Maltese film industry
November 2024	Follow-up Audits Report by the National Audit Office Volume II 2024
December 2024	Report by the Auditor General on the Public Accounts for the year 2023
December 2024	Report by the Auditor General on the Workings of Local Government for the year 2023
June 2025	Climate change adaptation: Evaluating Malta's efforts relating to flooding and sea level rise
July 2025	Performance Audit: An assessment on the Inspections Coordination Office Initiative