

Follow-up Audit Reports by the National Audit Office

2026

Volume I





National
Audit
Office

MALTA

Follow-up Audit Reports

2026

Volume I

FOLLOW-UP AUDITS

Our follow-up audits thoroughly examine the extent to which the audited entity has acted upon previous audit findings and recommendations, and whether the actions taken have been effective in addressing the identified issues. By determining the progress made by the respective entity following a previous audit conducted by our Office in the recent past, follow-up audits help assess whether the corrective measures are effective in preventing or at least minimising the recurrence of similar issues, thereby contributing to enhanced good governance.

Report by the Auditor General

This Report has been prepared under paras. 5, 7 and 8 of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives.



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 2026

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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Foreword

During a recent Organisation for Economic Co-operation and Development conference, the fundamental importance of follow-up audits in the public sector was duly highlighted by many participants. Indeed, the debate today focuses not on whether such audits should be conducted, but rather how they should be carried out to maximise audit impact.

Undoubtedly, follow-up audits are necessary because they provide the mechanism through which the implementation of the recommendations made in previous audit assignments is assessed. Thus, these audits add considerable value to our work, since they provide Parliament, and ultimately citizens, with assurance that Ministries, departments and public entities are duly addressing the shortcomings and issues identified through our audit work.

Moreover, the timely implementation of the recommendations included in our Reports strengthens accountability, one of the main pillars of good governance. This aligns with one of our principal objectives, namely, to promote the highest standards of governance across the public sector.

As can be seen from the table of implementation that is compiled in all our follow-up Reports, it is encouraging to note that certain auditees really do their utmost to implement as many of our recommendations as possible. At the same time, unfortunately, others have not yet shown the required commitment or failed to resolve outstanding issues before the recommendations could be implemented. As a result, the shortcomings identified in our Reports remain pending, thus giving rise to negative and undesirable consequences, including mismanagement and the inefficient use of public resources.

In such cases, we are confident that the leadership of the Ministry or entity concerned will take urgent remedial action to address these unacceptable situations. Only in this way can the objectives of our National Audit Office be fully achieved, ultimately in the best interest of citizens, whom we are committed to serve.



Charles Deguara
Auditor General

July 2026

Guidelines for using this Report

The write-ups in this publication follow a standard structure including a background section, as well as the main findings and corresponding recommendations (reproduced in italics and grey text), as featured in the original Report by the Auditor General on Public Accounts. These are followed by developments made in respect of each recommendation and a conclusion summarising the overall progress achieved.

The classification of the level of implementation of recommendations followed up by the National Audit Office is as follows:

RATING	EXPLANATION
Fully Implemented	The action taken met the intent of the recommendation and issues were rectified. Structures and processes were in place to prevent a repetition of shortcomings. Sufficient evidence was provided to demonstrate action taken.
Partly Implemented	This category encompasses one or more of the following considerations: <ul style="list-style-type: none">• Action taken was less extensive than recommended by the National Audit Office. Action either fell short of the intent of the recommendation, or only addressed some of the identified risks and/or issues.• The auditee may have established structures and processes but only within some parts of the organisation, although some achieved results were identified; however, plans exist for the full implementation of the recommendation.• The specific action noted in the recommendation was not complete at the time of the assessment.• The auditee may have commenced action to address a recommendation, but subsequent policy changes may have influenced how it might be implemented.
Significant Progress	The auditee demonstrated that it made extensive preparations for implementing a recommendation, including a clear path (plan) duly approved at the proper executive level. It also showed that it had a clear timeline for completion and closure of the issue.
Insignificant Progress	This category may include one or more of the following: <ul style="list-style-type: none">• Action to address recommendation was very limited.• No supporting evidence that action has been undertaken.• Albeit unintentional, action taken does not address the recommendation.• Actions such as having meetings, discussions and generating informal plans, should be regarded as insignificant progress.

Guidelines for using this Report cont...

RATING	EXPLANATION
Not Implemented	No effort was made by the auditee to address the recommendation. <i>(This may also include those instances where the auditee did not provide any evidence suggesting efforts to implement the recommendation.)</i>
No Longer Applicable	In instances when the recommendation ceased to apply.
Not Accepted	The auditee did not accept the recommendation in the first instance.

Before publication, these write-ups are referred to the audited Ministries, departments and entities for factual verification.

This Report is presented according to the Ministerial portfolios as at 29 May 2026, each comprising the follow-up review performed on either the Ministry itself, or on departments and entities falling under its remit.

Table of Implementation

Title of Follow-up	Developments						Totals	Fully/Partly Implemented or Significant Progress registered
	Fully Implemented	Partly Implemented	Significant Progress	Insignificant Progress	Not Implemented	Not Accepted		
Servizz.gov	7	-	2	-	-	-	9	100%
Land Registration Agency	-	1	-	2	-	-	3	33%
Short-term Benefits	1	1	-	-	-	-	2	100%
National Development and Social Fund	1	5	-	-	-	-	6	100%
Afternoon School Programme, SkolaSajf and Klabb 3-16	1	2	1	2	-	-	6	67%
Energy Performance Certificates	-	-	-	1	8	-	9	0%
Mater Dei Hospital - Non-medical Equipment Facilities Management	1	1	-	2	-	-	4	50%
Mental Health Services	2	-	3	1	-	1	7	71%
Totals	13	10	6	8	8	1	46	63%
Totals in Percentages	28.26%	21.74%	13.04%	17.39%	17.39%	2.17%	100.00%	63.04%

List of Abbreviations

BCA	Building and Construction Authority
CBA	Cost Benefit Analysis
CMH	Commissioner for Mental Health
CPSU	Central Procurement and Supplies Unit
CROs	Customer Relationship Officers
CSA	Court Services Agency
DSS	Department for Social Security
EPC	Energy Performance Certificate
FAR	Fixed Asset Register
FES	Foundation for Educational Services
HA	Housing Authority
ICT	Information and Communication Technology
IT	Information Technology
LRA	Land Registration Agency
MCH	Mount Carmel Hospital
MDH	Mater Dei Hospital
MFS	Malta Foundation School
MHS	Mental Health Services
MTA	Malta Tourism Authority
NAO	National Audit Office
NDSF	National Development and Social Fund
PA	Planning Authority
PPR	Public Procurement Regulations
PTM	Project Technical Monitor
SOP	Standard Operating Procedure
TOIL	Time Off In Lieu
VAT	Value Added Tax



Office of the Prime Minister

Servizz.gov

Servizz.gov

Background

The Annual Audit Report for the year 2021, published by the National Audit Office (NAO), included the outcome of an audit concerning Servizz.gov. This audit assessed the adequacy and effectiveness of the Agency's internal controls over expenditure and revenue collection. Specifically, the review focused on whether procurement of goods and services complied with standing regulations, confirming that rates paid adhered to regulations and agreements, and verifying that all income received was duly accounted for. The audit identified several significant concerns. It noted that the charging structure for Servizz.gov's services at the time, coupled with insufficient human resources, severely limited the Agency's control over its expenditure. Finally, the contracted terms for contact centre services were found to be inadequate in protecting the Government's interests.

Key Issues

Limited Control over Expenditure

The fee structure applicable for the contact centre services, as per the terms of the contract, was mainly variable, depending on the number of calls, emails and chats undertaken by the general public. As a result, the Agency had very limited control over such expenditure.

The Agency was to ensure that contracts were to be negotiated in the best interest of the Government and that these were to be duly managed and adequate internal controls were to be in place.

Developments: Significant Progress

At the time when the fieldwork was concluded¹, the service and respective charges were still as per the terms of the old agreement. However, in the meantime, measures aimed at protecting the interests of the Government have been incorporated through amendments to the agreement. Moreover, the Agency has also strengthened its internal controls. A new tender was awarded in March 2026, but given that audit fieldwork was already completed, the conditions thereof were not analysed.

Incorrect Revenue Recognition

The Agency's revenue recognition policy in the financial statements stated that "Government grants related to assets are presented in the Statement of Financial Position by setting up the grant as deferred income and is recognised in the income statement on a systematic basis over the useful life of the asset." However, the 2021 audited financial statements showed the full capital allocation of €700,000 as income, rather than the €261,840²

¹ December 2025.

² €261,840 was the depreciation charge for the year as per audited financial statements.

which should have been recognised in line with the policy disclosed in the accounts. Consequently, the reported financial position of the Agency was significantly distorted.

While the audited financial statements showed a slim surplus before tax of €13,498 and an after-tax deficit of €65,953 for the Agency's first year of operations following the disengagement of financial processes and procedures from the Office of the Prime Minister, the actual position was a pre-tax loss of over €420,000. Moreover, the Agency ended the year with a negative working capital of €182,503.

It was recommended that the Agency raises this issue with the independent auditor in order to make the necessary adjustments so that the reported results would be accurate and would give a true picture of the Agency's state of affairs.

Developments: Fully Implemented

The necessary adjustments were made to the relevant financial statements and accounts were restated where applicable. The Agency has since changed the accounting policy and the recognition of revenue whereby income from government subvention, previously recognised on an accruals basis, is now recognised on a cash basis.

Control Issues

Contact Centre Services

Following a call for proposals by the Privatisation Unit for a 'Multi-channel contact centre operations and staff for the Government of Malta's Servizz.gov One-Stop Shop Unit,' a Concession Agreement was entered into in July 2015 between the selected service provider and Malta Investments Management Company Limited. The agreement was to remain effective for five years, with the possibility of being extended for further periods.

Five years later, in July 2020, an Amendment Agreement was entered into between the same service provider and the Agency. This agreement saw the Agency assume the obligations and responsibilities emanating from the contract, taking the place of Malta Investments Management Company Limited. This change was covered by approval from the Department of Contracts following a negotiated procedure. The new agreement was for a further five-year period, up to July 2025, with an aggregate estimated cost of €35 million (VAT excl.) for the duration of the contract.

No Evidence of Competition

The negotiated procedure was approved by the Department of Contracts based on Article 154(1)(b)(ii) of the Public Procurement Regulations (S.L. 601.03) (PPR). This approval rested on a number of conditions, including the consideration of the value for money aspect. The specific PPR article relates to services that could be supplied only by a particular economic operator because of a technical absence of competition. However, the provided documentation did not show that any market research was carried out in this respect. Consequently, it could not be confirmed that the decision to purchase this service was based on the most cost-effective (value for money) basis, as directed by the Department of Contracts in its approval.

The Agency was to take the necessary actions to ensure that it did not become reliant on the service provider. Therefore, procurement by negotiated procedure was to be resorted to only under the strict provisions stipulated in the PPR.

Developments: Fully Implemented

In January 2025, a public call for tender was issued for the provision of contact centre operations; however, this was cancelled after the sole bidder was deemed technically non-compliant.

Prior to the expiration of the previous contractual arrangement, Servizz.gov took immediate steps to ensure continuity of service while progressing with the procurement of a new long-term solution. In this regard, a request to launch a negotiated procedure for a short interim period of six months (until December 2025) was submitted to the Department of Contracts. This request was acceded to, allowing the Agency sufficient time to re-launch the procurement process.

To further safeguard service continuity during the finalisation of the tendering process, on 12 January 2026 the Agency requested, the General Contracts Committee's approval to enter into another negotiated procedure with the service provider for the temporary continuation of contact centre operations for Servizz.gov Agency, at the estimated cost of €3,700,000 (VAT excl.), for a period of three months³. On 13 January 2026, the General Contracts Committee approved in principle the Agency's request for negotiated procedure.

The new tender was re-issued by end-2025 and two bids⁴ were submitted. Tender's award notice was published on 2 March 2026. The tender was awarded for a total value of €52,890,819.95 (VAT excl.), covering a period of three years.

Government's Interests not adequately safeguarded

The following provisions that arose from the contract with the contact centre's service provider hindered the adequate safeguard of the Government's interests:

- a. *Unlike other contracts reviewed at the Agency, where the performance guarantee was based on the provisions included in the General Conditions issued by the Department of Contracts⁵, this was not the case in the agreement with the contact centre service provider. Although the contract had an estimated value of €35 million, the performance guarantee payable was stipulated to be only €175,000, rather than the expected amount of €3.5 million. This amounted to only 0.5% of the estimated contract value.*

Further to the low performance guarantee, the agreement also stipulated that the Agency was to place a deposit of an equivalent amount of €175,000 in favour of the service provider, which was to be refunded upon release of the performance guarantee. This meant that, in actual fact, the Agency had no safeguards in place.

³ This resulted in a two-week period during which the service was not covered by an agreement and the relevant approvals.

⁴ One of the bids was deemed technically non-compliant during the evaluation stage.

⁵ The guidelines specified that the amount of the guarantee shall be 4% where the amount of the contract value is between €10,000 and €500,000 (VAT excl.), and 10% where the amount of the contract value is €500,000 (VAT excl.) or above.

- b. A clause included in the agreement stipulated that Customer Relationship Officers (CROs) manning the Agency's technical sites, namely, servizz.gov Taxpayer Service, Ċentru Familja servizz.gov and edu-servizz.gov, were paid for not only their operational hours, but also for any sickness and leave availed of, despite that they were employed by the service provider.*
- c. Technical training to CROs was limited to 10 concurrent working days. Any additional training costs were to be borne by the Agency, which was charged at €10 (VAT excl.) per hour for each individual.*
- d. The contract also provided for the setup of a Technical Board, which was to have the power to adjust the service fees and service levels.*

The Agency was recommended to ensure that when negotiating agreements, the proposed clauses adequately safeguarded the interests of the Government.

Developments: Fully Implemented

In the standing agreement covering the period July 2025 up to end of December 2025, the guarantee amount has been revised in line with the requirements of the PPR, i.e., 10% of the contract value.

The Change Control Note revised the Addendum Agreement with effect from 1 January 2023. The rates for employees at Servizz.gov's Regional and Technical sites are now charged for actual hours deployed, including replacement of agents in the case of sickness or vacation leave, and excluding leave and sick leave hours not replaced. Moreover, the clause relating to additional training costs has been removed from the standing agreement, hence the respective charge is no longer applicable.

The Agency stated that since its establishment, there was never the need for the Technical Board to convene.

Lack of Resources to ensure Effective Monitoring

In contrast to the original agreement, which was primarily based on fixed costs, the current contract was more based on variable costs, requiring constant and continuous monitoring of metrics. Moreover, despite the risks involved, only two officers were carrying out the respective monitoring in addition to their other duties.

Given the lack of resources, the possibility of undetected errors, whether intentional or unintentional, was considered high and might have resulted in a significant monetary impact.

Furthermore, according to the Agency, the aforementioned officers carried out ad hoc surprise visits to monitor service provision and administrative issues on a random basis during 2021; however, no documentation to this effect was available.

A surprise inspection plan covering all hubs was recommended to be drawn up, and that such visits were to be formally documented. Moreover, to achieve better administrative control and to ascertain productivity and accuracy in the work carried out, it was suggested that the Agency ensures that there was a proper division of work between personnel, based on their skills and the nature of the respective tasks once adequate resources became available. Finally, it was also recommended to undertake the necessary restructuring, where required, to enhance efficiency.

Developments: Fully Implemented

In addition to biannual independent audits, Servizz.gov is conducting official monthly inspections on each hub and keeping official records for these visits. Moreover, the Agency is coordinating with the People and Standards Division to utilise their mystery shopping services on a structured and regular basis. All visits and checks are being documented and filed accordingly.

Furthermore, the Finance and Procurement Section has been officially separated from the Corporate Department as part of the Agency's recent structural reorganisation, approved by the People and Standards Division, to ensure dedicated oversight and stronger internal controls.

Control over Contact Centre Services' Billing

Other than charges relating to calls covering a six-month period, which were verified through an information technology audit performed by an independent auditor engaged by the Agency, verifications carried out by the latter to confirm billings were entirely based on data provided by the service provider and subcontracted employees.

Moreover, invoiced amounts for the number of calls, emails, and chats were based on data recorded on the Client Relationship Management system by the service provider's agents, while payments related to the hubs' manning were based on attendance records filled in by the service provider's agents and CROs. However, the Agency had no means to ensure the accuracy of this data and consequently no control over amounts billed, if not by resorting to the engagement of information technology professionals at an additional cost to confirm some of the billed items.

Given that the cost of the contract is significant, the Agency was to ensure that it had an adequate level of control over all the amounts billed, besides the phone billing.

Developments: Significant Progress

Internal data forecasts are prepared monthly to estimate the number of calls and emails expected to be received. These forecasts are initially prepared by the service provider and subsequently reviewed and validated by the Agency using historical data. For financial and operational purposes, these forecasts are subsequently compared to the actual calls and emails received. Furthermore, Servizz.gov introduced an online attendance verification system in all hubs.

The Agency has also strengthened its quality control mechanisms by carrying out an independent quality assessment on a yearly basis, with the results compiled in a comprehensive report.

In addition to data from the Customer Relationship Management system, Servizz.gov is extracting reports from the virtual assistant systems on a regular basis and reconciling them against workings provided by the service provider with the invoices. On the other hand, invoiced calls are verified against daily live statistics collected by the Agency. All reconciliations are documented and retained in the Agency's accounting system.

Shortcomings related to Hubs' Customer Relationship Officers

NAO officers carried out two surprise visits at the Birkirkara and Msida hubs. Shortcomings noted were related to unsigned CROs attendance records, as well as attendance already recorded for following days. Such shortcomings might have gone unnoticed because attendance records were forwarded to the Agency on a monthly basis.

As an interim measure, until the Agency's plans to install punch clocks in the hubs materialised, NAO recommended that attendance sheets were to be forwarded to the Agency on a daily basis, rather than monthly, in order to identify similar shortcomings. Moreover, regular inspections were to be conducted, and concerns were to be addressed in a timely manner.

Developments: Fully Implemented

To ensure timely verification of hours claimed, agents' attendance sheets are being sent to the Agency weekly. Moreover, an online attendance verification system was introduced in all hubs to reduce manual processing in the recording of attendances and absences. Invoices provided by the service provider are being verified with the attendance sheets generated by the system. Furthermore, hub leaders were introduced to ensure that constant monitoring and supervision is carried out. Servizz.gov is also carrying out and recording inspections on a monthly basis.

Adequate Control not exercised through the Fixed Asset Register

Upon review of the Fixed Asset Register (FAR) maintained by the Agency, it was noted that although the FAR showed a code for each asset, this was generated by the accounting system and was not reflected on the actual asset to enable the necessary monitoring. Furthermore, not all assets in the FAR showed the relevant details, such as serial number, hindering identification of assets. It also transpired that the FAR included entries which were not considered as fixed assets.

Guided by the provisions of MFIN Circular No. 14/1999 – 'Government Accrual Accounting: Revised Inventory Control Regulations', it was recommended that the Agency's FAR was to show full details of the respective asset, thereby enabling easy identification and full audit trail. Moreover, only those assets which meet the criteria of a fixed asset were to be included.

Developments: Fully Implemented

The Agency identified and labelled all assets within sites to finalise the FAR in accordance with the pertinent circular. Items not in line with the circular were removed from the FAR and included in a separate sheet. Moreover, the Agency issued a call for an Executive (Finance & Procurement) who will have the duty to compile and maintain the FAR, amongst others.

Non-submission of VAT Defaulters' Returns

The Agency did not always seek Value Added Tax (VAT) receipts to cover payments effected. Furthermore, the Agency did not submit quarterly returns, which listed VAT defaulters, to the Commissioner for Revenue, in line with standing regulations.

Although staff at the Agency were noted to be striving to comply with standing regulations⁶ despite the limited resources, an effort was to be made to request all VAT receipts and submit the necessary returns, including nil returns as applicable, to the Commissioner for Revenue on a regular basis.

Developments: Fully Implemented

In January 2026, the VAT defaulters' list covering January to September 2025 was submitted to the Commissioner for Revenue. Additionally, a dedicated employee has been assigned to follow up with suppliers regarding missing VAT receipts and defaulters will be reported to the pertinent authorities on a quarterly basis.

Conclusion

NAO recognises the Agency's significant progress in rectifying previously identified weaknesses and fully implementing the majority of the audit recommendations, presenting a clear case of good practice.

⁶ MFIN Circular No. 5/2002 – 'Submission of Fiscal Receipts to Government Departments', updated by MFIN Circular Nos. 7/2011 and 2/2012.



Ministry for Culture, Lands and Local Government

Land Registration Agency

Land Registration Agency

Background

The Annual Audit Report on the Public Accounts for 2021, published by the National Audit Office (NAO), included audit findings related to the Land Registration Agency (LRA). This Agency was established by virtue of the Land Registration Agency (Establishment) Order (S.L. 595.31), and is regulated by the Land Registration Act (Cap. 296) and the Condominium Act (Cap. 398). Its main functions are to carry out duties of public administration in relation to the registration of land, also assisting the Minister responsible in related matters. The scope of the audit was to examine LRA's main sources of revenue and to verify correctness and completeness of such income by ensuring that related internal controls were in place.

The audit revealed that basic internal controls, including segregation of duties, audit trail and adequate checking were lacking, thus hindering assurance of completeness of revenue collected.

Key Issues

Lack of Segregation of Duties

No segregation of duties was exercised during the revenue collection process. The majority of applications for the registration of land and searches were mainly received, processed and recorded by the same official. It also transpired that during the period under review, a significant number of approximately 350 receipts were cancelled before the correct receipt was officially issued to the respective customer. Such cancellations were not pre-authorised by a designated senior official. According to LRA, the receipts were cancelled when the computation errors were noticed, either by the respective officer or during occasional random checks, although the reason was not indicated accordingly. Also, given the insufficient audit trail, it was not possible to establish who actually cancelled the respective receipts.

Segregation of duties is one of the fundamental internal controls that is expected within an entity, especially where the handling of cash is concerned. Thus, LRA was to immediately step up its controls to provide a higher level of comfort with respect to revenue received. This would also minimise inaccuracies, corrections and the possibility of fraud.

Moreover, any corrections, leading to cancellations were to be duly authorised by a senior officer and the respective reason indicated, in order to mitigate the risk of abuse.

Developments: Insignificant Progress

Testing revealed that no major changes were made to the revenue collection process following the original audit. Reconciliations carried out are based on the information recorded on the invoices inputted in the system and are mostly targeted at ensuring that all revenue registered as collected was duly deposited in the bank.

During 2025, the number of cancellations decreased to 140¹. According to the Management Comments submitted following the original audit, LRA instructed staff to cancel receipts only after obtaining authorisation from the two designated officers. Nonetheless, testing showed that none of the cancellations selected in the audit sample were supported by both signatures, while some failed to indicate the respective justification. In other instances, particularly those related to the Gozo office, neither signatures nor justifications were evidenced.

Insufficient Audit Trail

Testing revealed that for the applications of land registration and searches, the system does not generate a user reference for each application, identifying the officer recording the respective transaction. Thus, there is no full audit trail.

It was also not possible to generate a report from the system showing the actual request received for the applications of land registration and searches, as well as site plans, by the respective clients, except for a manual list compiled in spreadsheet format.

To enable a full audit trail, LRA was encouraged to request enhancement to the computer system in order to be able to generate the necessary reports for reconciliation purposes, even at the initial stages of receipt of applications for registration of land and searches. Moreover, it was recommended that the name of the respective user would be identified. This was to be applicable to all transactions across the board.

Developments: Partly Implemented

According to the Governance Action Report², LRA was in the process of testing a new system intended to digitise its core business processes, with an anticipated implementation date of December 2023. However, the system was still being implemented during this follow-up audit, with ongoing work on data migration, security, performance, and user access. In the meantime, major enhancements to the current computer system were not feasible. In fact, the reports made available during this follow-up audit were the same as those presented in the original audit. Management had envisaged that the necessary reports for reconciliation purposes would be generated once the new system was in place.

Nonetheless, NAO noted that invoices and cash returns issued by LRA now include the initials and the signature of the officer recording the respective transaction.

Inadequate Checking Procedures

Checking of fees computations was not being done in a systematic manner to ensure that the client was accurately being charged. LRA verbally confirmed that checking was only done randomly on specific applications and time permitting.

NAO recommended LRA to perform regular checking in a systematic manner, to ensure correctness of revenue charged and recorded. Documentation evidencing such verification was to be retained for audit trail purposes.

¹ LRA verbally stated that a cancelled receipts report could not be extracted from the system; thus, NAO had to rely on screenshots of cancellations forwarded by the Agency to arrive at this figure.

² Publication titled 'Governance Action on the NAO's Annual Report on Public Accounts 2021 and other NAO Reports 2022'.

Developments: *Insignificant Progress*

Following the original audit, Management had commented that random checks and verifications would be performed with supporting documentation retained as evidence. This was confirmed in the Governance Action Report², which indicated that two officers at the receiving office were carrying out daily random checks.

During this follow-up audit, LRA reiterated that checking of fees is carried out randomly; however, a spreadsheet provided to support this claim lacked important information such as initials or signature of the officer performing the checks, workings and/or reference to supporting documentation, date when the checks were performed, as well as the results of such tests. In the absence of such records, NAO is unable to determine whether adequate verifications are being carried out.

Conclusion

LRA intended to address most of the audit recommendations highlighted in the 2021 Annual Audit Report upon the implementation of the new system, which was targeted for December 2023. However, due to data migration challenges and the alignment of business processes with the new system's architecture, the system was not yet in place at time of this follow-up audit. Given these circumstances, a realistic assessment of the implementation of a number of recommendations was significantly hindered and developments noted by NAO were minimal. Thus, this Office does not exclude carrying out another audit once the new system is fully operational.

A network diagram consisting of white circular icons of a person's silhouette, connected by white lines. The icons are arranged in a non-linear pattern across the entire page, with some overlapping. The background is a dark grey color.

Ministry for Social Policy and Children's Rights

Short-term Benefits

Short-term Benefits

Background

The Department of Social Security (DSS) is responsible for the administration of short-term benefits which comprise various categories, including Sickness and Injury Benefits.

In its Annual Audit Report for 2021, the National Audit Office (NAO) published an audit report with the aim to determine whether adequate internal control procedures were embedded in the administration system from the assessment of eligibility to sickness¹ and injury² benefits, up to the respective payment. Furthermore, the audit assessed whether these benefits were processed in accordance with the provisions laid out in the Act. The audit revealed internal control weaknesses over sickness benefit payments which led to several overpayments.

Key Issue

Weak Internal Controls resulting in Sickness Benefit Overpayments

Audit testing revealed insufficient control over the payment of sickness benefit. Although each payment should have been assessed and reviewed by two separate officers prior to processing, it was evident that the verifications were not always adequately performed.

From the audit sample of beneficiaries receiving sickness benefit, a number of shortcomings were noted. These resulted in overpayments, most of which were being recouped at the rate of 10% based on future DSS payments. Instances of overpayments were identified as a result of payments exceeding the statutory 468-day duration limit³, the continuation of sickness benefit alongside a two thirds pension, and the application of an incorrect sickness benefit rate.

DSS was expected to review its processes in order to identify the risks and establish possible mitigation measures. The possibility of automating internal controls through inbuilt processes was to be explored with the system administrators, to prevent similar occurrences.

¹ A person, who has not reached retirement age and satisfies the social security contributions conditions, is entitled to a sickness benefit from the fourth working day of incapacity from work, up to a maximum of 156 days in any calendar year. Until the date of benefit claim, the claimant must have paid a minimum of 50 social security contributions since the commencement of employment, with at least 20 of such contributions being paid in the past two years.

² A person registered under the Social Security Act (Cap. 318), who has not yet reached retirement age, may be awarded the injury benefit upon suffering from personal injury, caused by an accident arising out of, or in the course of, employment or self-occupation.

³ This refers to the mechanism whereby payment of sickness benefits may be extended for a further 156 days but is not to exceed 468 days in any two calendar years.

Developments: *Partly Implemented*

Considerable progress has been made since the publication of the initial NAO report, most notably in the consistent preparation and scrutiny of weekly error reports. Through these reports, sickness benefit applicants who do not meet social security contribution requirements are identified, prompting further review and possible follow-up upon the submission of supporting documentation. Nevertheless, a limitation exists with regard to the maintenance of audit trails and documentation for internal control procedures undertaken by DSS. Although the Department acts promptly on identified errors and carries out random sampling across the entire sickness benefit beneficiaries on a weekly basis, it does not document the precise sequence and scope of the controls performed for audit trail purposes.

To address the issue of sickness benefit payments exceeding the statutory 468-day limit, a dedicated report is being issued by DSS every January. This is designed to monitor and flag any cases where beneficiaries approach or surpass the maximum duration specified in Article 18(5) of the Act, thereby supporting compliance and preventing further overpayments. A sample was selected for review by NAO and no exceptions were noted.

Control Issue

Medical Certificates not provided for verification

A number of medical certificates, pertaining to seven out of twenty sampled individuals who received sickness benefits during 2021, were not made available for verification purposes. Thus, the Auditors could not validate the respective payments.

Management was to ensure that every sickness benefit is to be supported by a medical certificate.

Developments: *Fully Implemented*

DSS confirmed that it is impossible to assess and pay a sickness benefit without the existence of the medical certificate. The issue highlighted in the initial audit concerned the storage of documents after verification and acceptance, due to the risk of misplacement or incorrect referencing. Notably, DSS explained that certificates cannot be entered onto the system more than once as each is assigned a unique certificate number. All certificate details are entered into the system, verified by a separate officer, and stored for five years.

From testing carried out by NAO on a number of individuals benefitting from sickness benefit, medical certificates were successfully traced, and no issues were identified throughout the testing process.

Conclusion

In conclusion, this follow-up audit has demonstrated that DSS has made significant progress in addressing the issues identified in the original audit. Nevertheless, no audit trail was found of the weekly checks carried out by DSS in relation to short-term benefits as outlined in this follow-up audit.



Ministry for Home Affairs, Security and Employment

National Development and Social Fund

National Development and Social Fund

Background

The National Development and Social Fund (NDSF) was established as a Government Agency on 6 January 2015, by means of the National Development and Social Fund (Establishment as an Agency) Order (S.L. 595.12). Its mission is to promote and support major projects and initiatives of national importance and public interest, which are intended to develop and improve the economy, public services, and the general well-being of present and future generations.

As reported by the National Audit Office (NAO) in its Annual Audit Report on the Public Accounts 2022, an audit of the financing of social projects by NDSF found that no established policies and procedures were in place for the selection of projects to be funded. The audit also noted that the Agency's financial statements were not prepared within the established timeframes.

Key Issues

Lack of Policies and Procedures for the Selection of Projects

NDSF lacked a formal documented policy and standard operating procedure for the selection of projects to be granted funding. There was also no formal register for declined projects, however according to NDSF, rejected requests were officially documented in the minutes of the pertinent Board of Governors' meeting.

NDSF was to ensure that good governance is safeguarded when effecting disbursements from public funds, particularly through the adoption of a fair and equitable distribution. This necessitates a formal documented policy and procedure. A formal register for declined projects was also recommended to ensure transparency and audit trail.

Developments: *Partly Implemented*

NDSF enacted a Withdrawal of Funds Policy¹ which sets out the criteria governing withdrawals from the Agency's fund to finance social projects. The Policy establishes risk-tolerance parameters, maximum allocations across social policy areas, and the requirements for evaluation, implementation, and post-implementation of projects. It also provides guidance to the NDSF Board when cash withdrawals or asset liquidations are required to meet commitments.

¹ A copy of the policy was forwarded by NDSF in December 2025.

In this context, a test was carried out to assess whether the Withdrawal of Funds Policy was applied during the selection and approval process for projects granted funding in 2025. Testing of two such new projects, namely projects implemented by SportMalta and the Malta Football Association, which were granted €5 million and €6.94 million respectively, revealed that certain provisions set out in the Policy were not uniformly applied by NDSF². Additionally, there is no standardised approach to documenting adherence to the Withdrawal of Funds Policy, despite there being two illustrative case studies within the Policy itself. This creates uncertainty as to whether procedures have been followed and hinders effective audit trails. NDSF stated that the Withdrawal of Funds Policy is regarded as a guidance document rather than a mandatory framework. Further details are outlined under the Control Issues section.

Additionally, a formal register of all declined funding requests is being maintained. This register outlines the submitted funding requests, including the purpose of the respective request, the amount requested, and the date and reason for declining the funding.

Financial Statements not prepared within the Established Timeframes

Notwithstanding that the Agency was required to publish its audited accounts on an annual basis and shall report to the Minister responsible for Finance on its activities not less than once a year, the annual audited financial statements for the years 2021 and 2022 were not prepared by end September 2023.

Audited financial statements are crucial for providing an unbiased and objective assessment of whether the accounts show a true and fair view of the state of affairs of an agency. Thus, for the sake of good governance, Management was expected to comply with the reporting mechanism in a timely manner.

Developments: Fully Implemented

The financial statements for financial year 2024 were audited and subsequently published.

Control Issues

No Detailed Costings obtained prior to Project Approval

As part of the Strategic and Tactical Allocation of the Local Income Portfolio, one of the criteria in connection with the approval of projects is that beneficiaries were required to provide detailed Cost-Benefit Analysis (CBA), cash flow statements, and any other supporting documentation prior to the authorisation of the project. These requirements were also included in the minutes of the respective meeting of the Board of Governors during which these projects were approved.

² The Withdrawal of Funds Policy refers to a scoring and prioritisation tool, assessment of Sustainable Development Goals targets and confirmation of financial and economic viability. For grants over €200,000, NDSF must appoint an auditor at the beneficiary's expense to verify that the financial information gives a true and fair view of the applicant and the project's feasibility.

However, communication threads indicated that detailed costings of the Urban Greening project in Hamrun, Mosta, Qormi and Żabbar, as well as that of the Mdina Illumination project, were lacking and these were only requested from the beneficiary during the audit. Cash flow statements were also not requested by the Agency.

The detailed costings and cash flow budgets are essential tools for effective financial management and decision-making when it comes to social grant programmes. They help ensure that resources are allocated and managed efficiently, transparently, and with accountability, ultimately benefitting those in need of social assistance. Thus, all the required documentation has to be obtained before a project is considered as eligible for funding.

Developments: *Partly Implemented*

NDSF engaged a Social Investments Manager to strengthen the evaluation of grant proposals submitted by beneficiaries. The role includes reviewing application forms, assessing the respective CBA, and monitoring projects' development. The Social Investment Manager was also responsible for compiling the Manual of Procedures. The purpose of this document is to guide beneficiaries on the management, implementation, monitoring and financial control of the projects receiving funds from NDSF.

For the purpose of this follow-up, two new projects were tested to verify whether detailed costings were obtained prior to approval, as outlined below.

SportMalta – Maltese Olympic Committee High Performance Strategy

NDSF approved €5 million to SportMalta which will in turn support the Maltese Olympic Committee in preparing Malta's national athletes for upcoming international competitions. Review of the related documentation indicated that detailed costings for this project were not obtained prior to approval. NDSF explained that it had previously awarded a grant related to the Small States Games and the information and documentation submitted for that grant were used as the basis for the grant approval for this project, as the two projects were considered to be similar in nature. As a result, a new CBA was not requested from SportMalta for the new request for funds. In terms of NDSF's Withdrawal of Funds Policy and the thresholds stipulated therein, detailed costings should have been requested from SportMalta prior to the approval of the new request for funds for this new project.

Malta Football Association Youth Development and International Participation Programme (2025-2028)

This project seeks to enhance Malta's football development framework over 2025-2028 through an integrated youth training and international participation programme. NDSF approved in principle a grant up to a maximum of €6.94 million to be distributed in equal instalments over four years (2025-2028). However, given that State Aid clearance was obtained in April 2026, the agreement between NDSF and the Malta Football Association had not yet been finalised by the time this Report was concluded³. Nevertheless, NAO favourably noted that a CBA was submitted.

³ May 2026.

Lack of Certification of Works prior to Payment

Given the materiality of capital expenditure and the technical complexity of the projects, NDSF deemed it necessary to engage a specialised technical company⁴ to monitor, certify and validate invoices, amongst other duties. Even though certain projects commenced in 2019, this company was only engaged in June 2023.

During this absence, the Agency advanced up to 90% of the invoiced amounts, subject to review by the specialised technical company upon its engagement. Following the successful completion of this exercise, the remaining 10% was to be paid out. As a result of this practice, it became apparent that all payments on the two projects selected were allocated solely on the basis of invoices provided by the beneficiaries. Towards the end of the third quarter of 2023, the certification process had just started. NAO was concerned about the practicality of the procedure adopted by NDSF, on how projects that commenced more than three years earlier could be certified retrospectively.

It was recommended that the Agency ensures that the certification was transparent, objective, and comprehensive, covering all aspects of the project's performance and compliance with grant requirements. It was also emphasised that past projects had to be certified at the earliest, and that the remaining projects were to be certified prior to payments being made.

Developments: Partly Implemented

NDSF explained that review and certification by the Project Technical Monitor (PTM) is limited to projects falling within the scope of the contract of engagement. At tender stage, this scope was structured around pre-defined categories of capital projects identified as higher-risk and large-scale. These categories were selected based on factors such as projected capital expenditure, implementation timelines, technical complexity, and risk exposure. As a result, projects considered short-term or low risk fell outside this scope and are not subject to PTM certification.

For projects within scope, the PTM also monitors and verifies related expenditure on an ongoing basis, with payments subject to certification. Given its set scope, PTM also certified projects that had been initiated prior to its engagement but fell within its remit.

For projects that do not fall within PTM's remit, reimbursement terms are agreed in the respective project agreements between NDSF and the beneficiaries. Certified invoices need to be presented together with the claims submitted to NDSF.

Notwithstanding the above practice, NAO observed that responsibility for certification is placed entirely on beneficiaries. In this regard, NDSF is relinquishing the certification of works and invoices to the latter, rather than adopting a more proactive role in the certification process prior to the disbursement of funds. While NDSF retains the right to carry out checks where necessary, greater involvement at certification stage throughout the project would strengthen oversight and assurance.

⁴ This is known as the Project Technical Monitor.

Over reliance on Beneficiaries for Payment

Administered by WasteServ Malta Ltd, the social grant agreement pertaining to the Urban Greening Project stipulated that payments should be made upon the presentation of certified invoices. However, it transpired that invoices paid in 2022, totalling €1,260,207, were not supported by the necessary documentation. Despite this lack of conformity with the agreement, NDSF still effected payments, placing total reliance on the beneficiary.

NDSF is to periodically review the beneficiary's compliance with grant requirements and should refrain from issuing payments if the requested documentation is not submitted. This ensures transparency and accountability in the use of public funds.

Developments: Partly Implemented

Review of documentation related to the claims tested for the Żabbar and Qormi sites revealed that payments were supported by the necessary documentation, including certified invoices. Additionally, related final acceptance certificates were also obtained. However, NAO opines that best practice methods require that NDSF be more actively involved in the process of certifying the completeness of work, rather than relying solely on the beneficiaries. In this regard, certification should not be left entirely to the beneficiary; instead, periodic spot checks and independent verification by NDSF should also be undertaken to ensure accountability and accuracy.

No Policy concerning Donations by the Agency

During 2022, NDSF contributed €15,000 in donations to two beneficiaries. However, this was not regulated with a documented policy. Although both donations were approved by the Board of Governors, the latter reiterated its belief that the Fund should introduce a capping on such social contributions.

NDSF was to ensure that good governance was safeguarded at all times when effecting disbursements from public funds, and a policy related to donations was to be established. However, the Agency was also reminded that the Social Causes Fund had been specifically created for the purpose of donations.

Developments: Partly Implemented

NAO acknowledges that a policy governing donations has been established. However, further measures are required to strengthen good governance.

In one instance, NDSF made a donation of €10,000 in support of a conference. Whilst it acknowledged that the beneficiary had secured funding from another entity, it did not obtain official documentation confirming such other commitment of funding, as required in the policy.

A further case was noted in relation to a sponsorship made for a conference organised by a non-profit making professional body. Although the sponsorship was authorised, it did not comply with the policy, which provides that solitary contributions should only be made to voluntary organisations for philanthropic purposes.

Conclusion

NAO welcomes the fact that the audit of the financial statements for financial year 2024 has been completed. This helps to ensure that accounts show a true and fair view of the state of affairs of NDSF. It was also noted that except where PTM is involved, the certification of works and invoices is being regarded as the responsibility of the beneficiary, and NDSF relies on such documentation when disbursing funds, without carrying out additional independent checks. Moreover, despite the issuance of policies and procedures, controls have not been effectively embedded in the project approval and oversight of funding processes. NDSF is encouraged to ensure consistent governance and risk management across all projects under its funding.

Ministry for Education, Sport, Youth, Research and Innovation

Afternoon School Programme, SkolaSajf and Klabb 3-16



Afternoon School Programme, SkolaSajf and Klabb 3-16

Background

The 2021 Annual Audit Report published by the National Audit Office (NAO) included the outcome of an audit that focused on the Afternoon School Programme, SkolaSajf and Klabb 3-16 provided by the Foundation for Educational Services (FES) in collaboration with the Education Directorate.

The objective of the audit was to evaluate the effectiveness of controls governing the recording of revenue collected by FES for the attendance to Klabb 3-16 and SkolaSajf. Testing was further extended to assess the controls in place over expenditure incurred by FES for the organisation of these programmes¹. In addition, the audit sought to confirm that both revenue and expenditure recorded in the accounting records were complete and complied with applicable regulations.

The audit identified inadequate controls over the management of employee attendance records at the centres administering the aforementioned programmes. Substantial outstanding balances in respect of payments due from parents or guardians for services rendered were also noted. Furthermore, in several instances, the audit scope was limited due to the absence of an adequate audit trail.

For the purpose of this follow-up audit, four centres were selected for sample purposes. The four selected centres were the following: Qawra and Victoria for Klabb 3-16, and Żejtun and Nadur for SkolaSajf. Audit procedures encompassed a review of samples of employees' personal files and attendance records, students' application submissions and attendance records, as well as the timeliness of payments for services rendered.

Limitations on Scope of Audit

In line with the Foundation's data protection policy, which was last updated on 29 November 2021, children's manual attendance records and personal data were to be discarded after two months from the service termination. NAO questioned the brevity of such duration. In such circumstances, data could not be traced back to the original manual records, thus limiting testing that could be performed on the data inputted in the system by the respective centre coordinator. This Office could not verify that the necessary information was provided by the respective parents or guardians.

Packages of hours were to be acquired by parents through the electronic portal, with the system maintaining only a record of the latest top-up. This posed a limitation on the scope of the audit since testing could not be carried out to ensure that absenteeism during booked hours was deducted accordingly, unless the centre coordinator was duly informed one day in advance or a medical certificate was provided.

¹ In 2021, funding for SkolaSajf and Klabb 3-16 was allocated under a single line item, namely Line Item 5627- Afternoon School Programme/SkolaSajf/Klabb 3-16. As from 2024, this allocation was increased and restructured into two separate line items, one for each programme; Line Item 5627- Afternoon School Programme/Klabb 3-16 and Line Item 5930- SkolaSajf.

Developments: *Partly Implemented*

The data protection policy was revised in September 2024, extending the data retention periods² to ensure that relevant records remain available for verification and review during external audit processes. Nonetheless, inconsistencies were noted between the retention periods specified in the Data Retention Policy and those outlined in the Terms and Conditions published on FES website for both programmes, which limit the retention of all records to one year from the end of service.

Enhancements were also implemented within the electronic portal to ensure that a complete and traceable audit trail of all information relating to top-up balances is systematically recorded and retained within the individual user profile. This information can be extracted from the system through two separate reports³.

Whilst attendance as recorded in the two aforementioned reports was reconciled, absenteeism could not be corroborated. FES stated that, where available, supporting documentation was kept by the centre coordinator at the respective centres and the Head Office did not have access to these records.

Key Issue

Utilised Extra Hours not paid for

The entity had a substantial amount⁴ of outstanding debtors with respect to utilised extra hours for which payment had not yet been settled. This was not in line with the Standard Operating Procedures (SOPs), stipulating that “coordinators are to monitor the balances owed by parents and reminders should be sent to all those who have a negative balance. If the said balance is not paid within one week, the parents are to be sent an email reminding parents to make payment and inform parents that should the payment not be effected within a deadline of three days, service will be suspended until the payment is made and account is back to being positive” [sic]. To this effect, Management did not provide any evidence that the respective debtors were being chased.

Management was to take the necessary actions to collect the pending amounts. A stricter approach was also expected against those who were violating the system.

Developments: *Partly Implemented*

The SOP for the management of debtors⁵ was last revised in October 2024. In terms of the revised SOP, when account balances fall below the established threshold of 15 hours (€12), automatic reminder notifications to purchase further hours are periodically issued to parents. A copy of the email template sent to service users was provided; however, no audit trail is maintained to record the frequency, dates or recipients of such emails. Consequently, no testing could be performed to verify whether this procedure is being implemented in line with the procedures set in the SOP.

² Sign-out sheets are retained for one year whilst personal data is retained for one to three years, from last day of the programme.

³ The Payment Activity Report and Daily Attendance Reports.

⁴ Outstanding debtors as at end of September 2021 stood at €34,175. This amount decreased to €21,140 by end of May 2022.

⁵ Document titled- ‘SOP: Active Users Recurring Balance’.

If the account is not topped up and the balance reaches zero, the centre coordinator issues direct notifications. A one-week extension is granted after each reminder, and following the second reminder, a final notice is issued indicating that services will be suspended within three working days.

Management explained that to book services during holiday periods⁶, service users must have sufficient funds, as these services are prepaid. Consequently, topping up accounts to be able to use the service during these periods also facilitate the clearance of negative balances. As holidays occur roughly every six weeks, most balances are cleared within this timeframe.

As per 'Negative Balances Report' extracted in February 2026, outstanding balances at end-September 2025 totalled €16,478, of which €2,264 was related to students whose last attendance was recorded in 2025, with the remaining balance pertaining to students who were still attending Klabb 3-16 as at the date when the report was extracted.

Control Issues

Extra Hours charged to the Minute rather than the Hour

The fee for extra hours charged for SkolaSajf and for Klabb 3-16 was set at €0.80 per hour or part thereof. Yet, at times, hours were charged pro-rata.

Management was recommended to charge fees on an hourly basis across all the centres.

Developments: Fully Implemented

As of the 2024 scholastic year, the terms and conditions of the respective programmes were updated to reflect that the service is charged at €0.20 per quarter-hour or part thereof.

Sample testing was carried out to check that the charging practice was in line with amended terms of service. Review highlighted that services provided during Klabb 3-16, including any extended hours during SkolaSajf, were charged on actual usage rounded up to the next quarter of an hour, in line with the amended terms and conditions.

Delays in the updating of the Students' Attendance Records

Hours utilised during holiday periods were instantaneously deducted from the individual's balance; however, those availed of on normal school days were not updated in the system in real time. Since attendances were also not recorded on the parents' portal daily, as suggested by the operational handbook and manual, FES was not being provided with the correct balances available. This situation contributed to the creation of a number of negative balances representing dues from parents.

FES was recommended to ensure that the balances on the parents' portal are updated in a timely manner and that proper monitoring was to be performed to minimise the risk of running into negative balances, leading to pending payments which might be difficult to recoup.

⁶ These include bridge holidays, Christmas and Easter holidays, as well as the two-week period between the end of the scholastic year and the beginning of SkolaSajf.

Developments: Significant Progress

From the information provided by FES during the follow-up audit, it was noted that attendance records on the parents' portal are still not being updated on a daily basis. Analysis of the sampled data indicates that attendance records take an average of 10 days to be updated.

To address this matter, FES is in the process to fully digitalise the attendance management system, with implementation scheduled for the 2026/2027 scholastic year. A public call for tenders for the development and ongoing management of a digital platform was published in September 2025. The tender was awarded in early March 2026. The new system will revamp the student digital platform to enhance user experience for parents, eliminate manual interventions and streamline key processes such as student registration and reporting.

Lack of Audit Trail

In a number of instances, substantiating documentation was not available, thus resulting in lack of audit trail. The following relate:

Student Placement Programme

Through its student placement programme, the Malta Information Technology Agency engages a number of students who carry out Information and Communication Technology (ICT) services in different sectors during the summer season. However, although students were placed at different SkolaSajf centres, a Memorandum of Understanding between the two entities, outlining the underlying terms and conditions, was not provided for audit purposes. Moreover, from testing carried out, it transpired that the contract of service entered into by each student and FES did not indicate the hourly rate payable.

Documents substantiating Parents' Employment

Extended hours during SkolaSajf, as well as services related to Klabb 3-16 during school holidays, were only made available in cases of kids whose parents or guardians were in employment or who were following a registered course.

However, as indicated under the Limitations on Scope of Audit, testing in this regard could not be carried out. Management verbally claimed that, in line with the Ministry's retention policy, documents were shredded after two months from the termination of service, despite that the policy outlines the retention period of specific documentation, such as birth certificates, custody documents and copies of identity cards; it does not cover employment records. In the circumstances, it could not be ensured that the necessary information was being provided by the respective parents or guardians.

Personal Files

Personal files related to Klabb 3-16 employees were maintained in a hybrid system; the engagement form, payee status declaration form and contract of service were filed in the traditional manner, while digital copies of the respective curriculum vitae and certificates were kept in digital format. Personal data and agreements pertaining to personnel providing services at SkolaSajf were also held electronically. In such instances documents were not duly referenced.

NAO recommended that all pertinent documentation be maintained for audit trail purposes. A signed contract of service, clearly setting out the conditions of employment, was also to be in place for each employee. Moreover, personal files were expected to be duly updated with all relevant documentation and properly referenced.

The retention policy was to be revisited to ensure that it is exhaustive and covers all the data at the entity's end. The established retention period should be sufficient not to hinder audit procedures expected to be carried out following the end of the related financial year. Furthermore, copies of documentation falling outside the scope of the said policy are to be maintained for a reasonable period of time for future reference.

Developments: Insignificant Progress

Student Placement Programme

A copy of the Letter of Intent issued by the Malta Information Technology Agency, outlining the terms of the ICT Summer Traineeship Scheme, together with FES's declaration accepting its terms was provided for audit purposes. However, both documents were undated, making it impracticable to confirm that these pertained to the placement scheme under review⁷.

The payable hourly rate of €8.13 as established by the Students' Maintenance Grants Unit⁸, was included in the sampled ICT student's employment contract.

Documents substantiating Parents' Employment

Although documents substantiating students' eligibility for Klabb 3-16 and/or extended hours during SkolaSajf were maintained in line with the amended Data Protection Policy, some deficiencies were noted. A review of the documentation received and accepted by FES in support of applications for services requested during scholastic year 2024/2025 revealed inconsistencies as indicated hereunder:

- a. In two instances, evidence provided as proof of work by parents and/or guardians was not in line with the outlined eligibility requirements⁹. Thus, the data submitted with the application did not necessarily reflect the parent and/or guardian's self-employment status at the time when the application was submitted.
- b. During testing it was also noted that children of FES employees were being provided the services of Klabb 3-16 and the extra hours during SkolaSajf free of charge. In response to queries regarding the approval of such fee waivers, Management explained the application procedure; however, no evidence was provided to substantiate that the waivers were duly authorised by the appropriate level of authority.

Personal Files

Following a digitisation process completed in 2025, the personal records of employees engaged within Klabb 3-16 are now being maintained electronically. However, due to the large volume of employees on a definite

⁷ The scheme issued in year 2025.

⁸ The Letter of Intent stipulated that remuneration be aligned with the rate established by the Students' Maintenance Grants Unit.

⁹ As per requirements, a job history sheet or last payslip or latest tax return in case of self-employment was to be provided. However, document traced comprised of a Value Added Tax Certificate or Accountant's declaration.

contract, records relating to SkolaSajf employees are managed through a hybrid system, whereby curriculum vitae and other documentation submitted during the application stage are retained on the recruitment portal, while contracts of employment and additional documentation generated throughout the course of employment are stored separately online. A review of the personal files within the audit sample revealed the shortcomings outlined hereunder:

SkolaSajf

- a. In four of the 11¹⁰ sampled employees, engagement and termination dates of employment, were found to be inconsistent across different statutory records namely the contract of employment, the Payee Status Declaration Form (known as FS4), and the Jobsplus Engagement Form.
- b. Documentation requested as part of the eligibility criteria set out in the call for applications was reviewed. However, in the case of four sampled employees, supporting documentation relating to their employment application, such as the Playworkers Development Course certificate, evidence of prior experience and reference letters, was not made available for audit purposes. Consequently, it could not be verified whether such documentation had been submitted by the applicants at the time of application.

Klabb 3-16

- c. The conduct certificate required to be submitted during the recruitment process by one of the sampled employees did not meet the established validity criteria¹¹ of six months.
- d. Although a valid warrant¹² was required for the position of a tutor (part-time), another sampled employee continued in the role despite the temporary teacher's warrant presented at application stage expired at the end of August 2024. No follow-up action was undertaken by FES to request the employee to submit a renewed warrant. In reply to queries raised by NAO, FES stated that temporary warrants are not followed up, as this has not been the Foundation's established procedure.
- e. The employment contract of an employee engaged as a playworker with extra responsibilities stipulated that she has to work 20 hours per week. However, attendance records showed that the employee was expected to work for 22.5 hours per week. Although FES confirmed that workers within this category are expected to work a full week¹³, no supporting documentation to such requisite or a formal contract addendum, agreed by both parties, to increase the working hours to 22.5 hours per week was made available.

Moreover, FES confirmed¹⁴ that in accordance with the new requirements introduced in February 2025, newly engaged employees both within Klabb 3-16 and SkolaSajf are required to complete a Declaration of Compliance. However, this declaration was not made available during the follow-up audit for all sampled¹⁵ SkolaSajf employees employed during 2025, and for one Klabb 3-16 officer recruited after this requirement came into effect.

¹⁰ Eight were employed directly by FES, with another three engaged through the Institute for the Public Service.

¹¹ The call for applications required a conduct certificate issued within the preceding six months. However, the certificate made available was dated 2020, despite the employment having commenced in 2025.

¹² Teacher's warrant (or temporary warrant).

¹³ A full working week at Qawra Centre: Monday to Friday from 13:30 to 18:00, for a total of 22.5 hours.

¹⁴ Confirmation received through email correspondence dated March 2026.

¹⁵ Sampled employees included 11 for SkolaSajf and 10 for Klabb 3-16.

Insufficient Control over Attendance Records

Due to the shortcomings outlined hereunder, attendance records maintained by the Foundation were not considered reliable.

Centre Coordinators approving their own Timesheet

It was the practice that all centre coordinators approve their own attendance sheets, which were kept manually, and these records were not endorsed by an officer in a higher authority.

Manual Attendance Records

Personnel working at Klabb 3-16 and SkolaSajf were required to record their attendance manually, through the signing of timesheets. Sample testing carried out on the records maintained with respect to Klabb 3-16 revealed that one officer, besides endorsing the attendance record on a weekly basis; i.e., one signature covering the whole week, during the first two weeks of April, someone else signed the attendance sheet in his stead.

Recording of Vacation and Sick Leave

Vacation leave was not always recorded as such on the attendance records. Time in, time out and signature were at times also recorded on days when employees reported sick or on vacation leave. Thus, attendance records were not considered reliable.

Management was to ensure that all employees record their timings on a daily basis and likewise independently endorsed by an officer in a higher grade to ensure completeness and accuracy.

Moreover, in line with pertinent guidelines, vacation and sick leave were to be clearly indicated on the respective attendance records. Furthermore, vacation leave was to be duly authorised prior to its utilisation, properly disclosing approval date on the related application.

Developments: Insignificant Progress

Centre Coordinators approving their own Timesheet

The timesheets maintained by the centre coordinators within the sample were subject to review and verification by the respective programme coordinator who occupies a higher authority grade.

Manual Attendance Records

Personnel working at Klabb 3-16 and SkolaSajf were still recording their attendance manually, through the signing of timesheets. A review of the employee's attendance records¹⁶, revealed the following shortcomings:

- a. The practice of signing the attendance sheet once weekly to cover the entire week was observed again in relation to one of the sampled employees.

¹⁶ Testing was carried out on attendance records maintained for the months of January and April 2025 for Klabb 3-16 and July and August 2025 for SkolaSajf.

- b. FES explained that the preparation required for implementing activities with children necessitates dedicated planning time. Therefore, upon submission and implementation of their activity plans during their shift and subject to the Centre Coordinator's approval, Playworkers and Child Support Workers are compensated the equivalent of 10% of their actual hours worked as preparation time. Nevertheless, the collective agreement does not provide for the payment of preparation time to staff at Klabb 3-16 and SkolaSajf. Moreover, no supporting documentation or the rationale to substantiate the basis for the 10% allocation was made available for audit purposes.

During the introductory meeting, Management indicated that discussions are ongoing regarding the implementation of a digital system to record personnel attendance at the respective centres. In line with this initiative, a pilot project was launched at Klabb 3-16 (2025/2026 scholastic year) at the Mgarr Centre.

Recording of Vacation and Sick Leave

An SOP with the purpose to set clear and consistent guidelines for the utilisation and management of vacation leave was drawn up in November 2024. However, from the review of the vacation leave records the following deficiencies were noted:

- a. The vacation leave forms of two sampled employees were not submitted for audit purposes.
- b. The vacation leave policy in place at FES requires that any unutilised vacation leave balances carried forward beyond the established threshold¹⁷ are to be referred for Management approval. However, instances were noted where the actual amount of unutilised vacation leave carried forward from 2024 to 2025¹⁸, was not supported by appropriate approvals, as detailed below.
- Although in three sampled cases, the initial approval request had been submitted¹⁹, the documentation provided consisted only of screenshots from the online submission forms completed by employees; however, management approvals were not provided. Moreover, no supporting evidence was made available to substantiate the higher amount of vacation leave hours which were ultimately carried forward from 2024 to 2025, beyond the initially requested approval.
 - In another instance, neither the request by the employee to transfer the unutilised vacation leave balance nor the management approval was provided.


Conclusion

NAO acknowledges that FES sought to take corrective measures and implement policies to drive improvement. Although progress has been registered in specific areas followed up, significant challenges persist, underscoring the need for continued concerted action to address pending recommendations, particularly those concerning the absence of audit trail and inadequate controls over attendance records.

¹⁷ The vacation leave policy requires the employee to request and obtain management approval so as to transfer balances of unutilised vacation leave exceeding 52.5 hours for full-time employees and 26.25 hours for part-time employees.

¹⁸ As reflected in the employees' payslips for January 2025.

¹⁹ In one of the three cases, the request submitted was for an amount below the established threshold. However, the actual balance of vacation leave carried forward, as reflected in the payslip, exceeded the threshold.



Ministry for Justice and Reform of the Construction Sector

Energy Performance Certificates

Energy Performance Certificates

Background

In its Annual Audit Report for 2020, the National Audit Office (NAO) published the outcome of an audit entitled ‘Ministry for Transport, Infrastructure and Capital Projects¹ – Energy Performance Certificates’. The main scope of this audit was to determine whether the necessary level of internal controls was in place to ensure the adequate collection of revenue from the issue of Energy Performance Certificates (EPCs) due to the then Building and Construction Agency, and its subsequent transfer to Central Government.

Following the initial audit, the transition from Agency to Authority took place with the enactment of the Building and Construction Authority Act (Cap. 623) in 2021, which formally established the Authority as a distinct statutory body. One of the roles of the Authority is still to issue an EPC, that gives a rating on the energy efficiency of a building.

Limitations on Scope of Audit

The then Building and Construction Agency did not have a record of EPC applications and the details of the respective certificates. Since the process to identify those cases that needed a certificate, or otherwise, was done manually, this was time-consuming. According to the Agency, only one person handled this task, and this resulted in a backlog of four years. This hindered the planned verifications in this respect.

Moreover, the Agency did not have the human resources necessary to check that lessors are in possession of an EPC for all rented property; thus, a list of rented property was not available. Consequently, testing in this regard could also not be carried out.

Developments: *Insignificant Progress*

The Building and Construction Authority (BCA) acknowledged that although the central EPC database has been operational since 2010, it has relied heavily on manual processes and has accumulated significant backlogs over the years. Compliance for properties constructed up till 2016 was being managed manually, with registered mail sent to all prospective applicants. Given the inefficiency of this process, it was then decided that this lengthy process would be discontinued.

Furthermore, plans are in place to introduce such a requirement when an application for clearance to commence works is submitted to the Authority. Enhancements have already been made to the Planning Authority (PA)’s electronic application system to allow requests for the issuance of EPCs to be transmitted prior to the granting of clearance. Once this process is activated, all new units under construction will be captured and required to have an EPC issued².

¹ At the time of the initial audit, Energy Performance Certificates were under the responsibility of the then Ministry for Transport, Infrastructure and Capital Projects.

² A Design Rating EPC assesses the projected energy efficiency of a new building and is based on its design plans, prior to construction or before apertures are installed.

BCA further indicated that, once the new system is implemented, currently planned for mid-2027, it will be possible to correlate the existing EPC system with that of PA for Design Rating EPCs only.

As a separate safeguard, the Malta Competition and Consumer Affairs Authority conducts yearly audits on a statistically significant sample of registered EPCs to confirm that assessors are issuing certificates in accordance with the applicable regulations.

With regard to the requirement of an EPC for all rented properties, BCA explained that it has assigned more officers to the Policy and Implementation Unit, who amongst others, is responsible to oversee such matters. However, since no Memorandum of Understanding has been signed with Government authorities responsible for the registration of rental agreements, including the Malta Tourism Authority (MTA), the Housing Authority (HA) and the Lands Authority, BCA was still not in a position to provide information on rental properties.

Key Issues

Weak Control Environment

NAO noted that there was a weak control environment, as well as lack of audit trail from application to the final stage when the EPC is issued, especially where PA applications were concerned and certificates required in respect of properties used for rental purposes.

The Agency was not in a position to determine how many of the PA applications that were approved in 2017 had in fact acquired an EPC. The Agency was only made aware when an EPC form was submitted by the applicant or when the actual EPC was analysed following receipt, leading to the risk that, in certain cases, the respective certificate is not obtained, and no enforcement measures can be taken.

It was recommended that the Agency steps up its internal controls to ensure that it is capable of enforcing timeframes and penalties as and when applicable.

Developments: Not Implemented

The main weaknesses identified in the initial audit remain largely unresolved. There is still no formal end-to-end audit trail for new EPC applications, no integrated system linking PA approvals to EPC records, and no reliable real-time visibility of compliance levels. While limited technical enhancements have been made to the PA electronic application system, these do not constitute a structured or automated control framework.

The Governance Action Report³ had indicated that the planned digitised system incorporating document management and business intelligence reporting, would enable information obtained from other entities, such as PA, to be compared with BCA databases so that EPC irregularities could be identified and appropriate action taken. However, according to the replies received, this system, which should have been implemented by June 2023, has yet to be implemented.

³ The report entitled 'Governance Action on NAO's Annual Report on Public Accounts 2020 and other NAO Reports 2021' was published by the Office of the Principal Permanent Secretary within the Office of the Prime Minister in November 2022.

Consequently, no automated controls, verification processes, or structured enforcement mechanisms have been put in place to prevent missing, unrecorded or due EPCs or to address non-compliance, particularly in the rental sector. In addition, lessors are not subjected to a structured notification or penalty process, specifically targeted for non-compliance, with EPC requirements for rented properties.

Lack of Audit Trail

Any type of alteration to a building, be it structural or otherwise, has to be authorised by PA, thus a planning application is to be made. Some alterations could also have an impact on the property's energy performance characteristics. As a result, an EPC is necessary following a major renovation or alteration.

EPCs received are filed in hard copies, usually by reference number, but there was no cross reference to the related PA application number; thus, making it close to impossible to find a particular EPC in due time. As a result, the Agency was not in a position to know which PA applicants carried out an EPC and how many EPCs are still pending.

The Agency was encouraged to invest in a secure and reliable Information Technology (IT) system that will enable a complete audit trail; from when a PA number is identified to when the EPC is issued and registered in the system. Having in place a duly updated system will render the process more efficient and effective. It will also show the status of each EPC application and gives an alert when a notification is necessary.

Developments: Not Implemented

Although discussions with PA have been ongoing since early 2021 and technical enhancements are reportedly ready, these have not yet been implemented within BCA's operational systems. As a result, the key weaknesses identified in the initial audit remain unresolved.

The system still lacks an effective audit trail linking EPCs to PA application numbers, reporting capabilities, automated alert notifications for due, missing or overdue EPCs, and reliable traceability. Consequently, BCA remains unable to adequately monitor compliance or accurately determine the number of outstanding or expired EPCs, with older applications continuing to rely on manual checks.

The Governance Action Report had indicated that, by December 2022, a new EPC algorithm aligned with European Union standards was to be developed. However, this has not yet been implemented. BCA officials confirmed that the algorithm is intended to be introduced through new software once the procurement process is completed and the tender is awarded, the process of which is still pending.

Furthermore, the same report stated that a call for tenders for the procurement of a Building Passport Information Repository was to be issued by December 2022. This process has also not yet been implemented. While BCA confirmed that the technical framework has been drafted, it remains under internal review, and the tender has not yet been issued.

Backlog in Planning Authority Applications to be analysed

NAO requested the list of those PA applications that the Agency analysed during 2020; however, the latter was still going through the 2017 applications; thus, a backlog of four years. This implied that, unless the applicant complied and carried out the EPC, timely action was not being taken⁴.

Furthermore, the process to establish whether an application for alteration to property requires an EPC is very time-consuming and, at this pace, the backlog of PA applications cannot be cleared.

The Agency was recommended to find the resources to come up to date with all PA applications, so that the necessary follow-up on the required EPC is done on time. This might enable the applicant to make the necessary changes upon the assessor's recommendations, if they prove to be worth the energy saving procedures.

Developments: Not Implemented

The Authority explained that up till 2020, the manual vetting process of PA applications was personally carried out by a single officer, who reviewed such applications online to identify developments requiring an EPC, including new developments, major renovations, and instances where the property had a change of use. The vetting exercise covered applications submitted up to 2017, with 2016 being the last full year of completed verifications. Due to internal restructuring and resource constraints, this process was discontinued in 2020. As a result, any applications submitted after 2016 have not been formally verified to confirm whether an EPC was conducted.

BCA also confirmed that there is currently no system integration between BCA and PA platforms. As a result, no automated mechanisms are in place to identify which PA applications require an EPC, nor does it have visibility on how many EPCs are still pending. BCA explained that internal discussions have taken place regarding the introduction of an EPC Design Rating requirement as part of the BCA clearance process⁵; however, this has not yet been implemented.

On the other hand, the Governance Action Report indicated that BCA signed a Memorandum of Understanding with PA to address multiple issues, including, amongst others, a strategy to address the shortcomings of the EPC procedure. However, when queried, officials within BCA stated that coordination with PA remains limited and that the Memorandum of Understanding was only drafted but never signed by PA. BCA officers have access to PA's electronic IT system, and EPC-related documentation can now be received per application. However, Design Rating EPCs are requested after permit issuance and before BCA clearance, as PA does not request them during final processing stages.

Issues with the Submission of Notification Letters

Once the Agency identified who was required to perform an EPC, it issued a notification letter to the PA applicant, followed by a second notification 60 days after. However, the Agency did not have the means to link each PA application number with an EPC by using the same PA number, to exclude those who already obtained the certificate.

⁴ Except when the applicant enters a final deed of sale through a notary and/or a commercial bank, in which case, an EPC is mandatory.

⁵ Upon submission of the architect's completion report.

Additionally, the process of issuing a second notification letter was done manually, since there was no system in place to trigger it automatically when a certificate was not duly issued. NAO was also informed that, after establishing whether an EPC is required or not, the Agency monitored all relative files of that particular year to verify that the certificate has been received. However, a record of this time-consuming monitoring exercise was not available.

Out of the 2,460 PA applications relating to 2016 that required an EPC, a number of notification letters were still to be issued, although the Agency was not aware of the exact number of certificates actually obtained. The slow pace at which notification letters were issued triggered a lot of delays in the process for Government to ensure compliance and collect what is due.

Once a proper system is in place, the PA number can be used to track whether an EPC has been issued or not. PA applications which are pending an EPC would be easily established so that notification letters will only be sent accordingly to the respective individuals. Reminders can also be automatically generated from the system, thereby eliminating human error and freeing time to allow for more EPC assessments to be carried out.

Developments: Not Implemented

It was confirmed that notification letters are no longer being sent to prospective applicants since the process of identifying whether a PA application needs an EPC was discontinued. As noted in the respective observations under Control Issues, BCA further stated that it now relies on notaries and banks following the signing of a deed of sale of a property or the granting of a home loan. Furthermore, reliance is also placed on the applicants themselves to come forward when there is the need for an EPC, particularly with the introduction of certain schemes such as 'Irrinova Darek' and 'Buy Sustainable Property'.

Moreover, while Management referred to legal changes that may help ensure Design Rating EPCs are obtained before works start, these measures are not yet in operation. As a result, the main issues identified in the initial audit remain unresolved.

No Control on Compliance vis-à-vis Certificates required for Rented Property

When property is rented out, an EPC should be presented by the lessor to the lessee, both for long and short-term rentals. However, no control for compliance in this respect was in place. According to the Agency, discussions with MTA were underway so that data of property being leased on short-term basis is shared between the related parties to eventually ensure compliance. Other discussions with the Parliamentary Secretary responsible for construction and HA were also in progress.

The Agency was to step up action with regard to the verifications of the compliance aspect of property rentals in order to ensure that what is due to Government is received. This cannot be achieved without the full cooperation of the various entities concerned, possibly through the promulgation of the necessary legislative provisions.

Developments: Not Implemented

There has been no progress since the initial audit. Adequate systems, controls, data-sharing agreements with Government authorities or entities, and the introduction of legislative measures to ensure EPC compliance for

rented properties remain absent. In addition, no formal Memorandum of Understanding was signed with MTA or with HA for the sharing of data and thus, BCA was not in a position to provide NAO with a readily available list of all short-term and private residential properties rented out as at December 2025.

Control Issues

No Formal Agreement with the Notarial Council and Commercial Banks

NAO was informed that a Memorandum of Understanding was in place between the Agency and the Notarial Council of Malta to ensure that, whenever there was a deed for a new property being sold, the notary public verifies that the sale is accompanied by an EPC. However, it transpired that this agreement was only verbal.

This procedure should also be carried out by local commercial banks, whenever the buyer is taking up a loan to purchase a new property; in such cases, the latter should be asked to provide an EPC before issuing the sanction letter, but there is also nothing official to this effect.

Since so much reliance and cooperation was being placed on the Chamber of Notaries and commercial banks, the Agency was to formalise their verbal understanding with the entities concerned, to ensure compliance.

Developments: Not Implemented

No progress has been achieved since the initial audit. The recommendations to formalise agreements with the Notarial Council and commercial banks remain unfulfilled, with reliance continuing to be placed on verbal understanding and informal practices. BCA explained that while EPCs are increasingly being requested in practice, this is driven largely by bank requirements rather than a structured verification obligation.

BCA has not yet established a dedicated monitoring or verification mechanism to ensure that all notaries are requesting an EPC. Even though there is a legal requirement to obtain an EPC, however, notaries are not subjected to a legally imposed requirement to confirm that an EPC accompanies every deed of sale. In addition, BCA carries out occasional discussions and meeting with banks; however, no structure arrangement has yet been formalised. As a result, the original control weaknesses remain largely unchanged, and the implementation gap remains open.

Moreover, although the Governance Action Report indicated that a letter of understanding to notaries had been issued, BCA confirmed that this was not the case.

No Penalties for Lack of Compliance

While the notification letters sent to PA applicants requiring an EPC mention that a fine will be applied to those who do not comply, no such enforcement was being made. The weak internal controls in this area, were proving to be very difficult for the Agency to identify the defaulters and keep a track record of where the process stalled to penalise accordingly.

The purpose of an enforcement fine is to encourage individuals to abide with laws and regulations. NAO opined that the process should be enhanced to ensure that effective enforcement is in place and the necessary fines are imposed.

Developments: Not Implemented

The Authority seeks to mitigate instances where an EPC is not provided by introducing schemes such as 'Irrinova Darek' and 'Buy Sustainable Property', with the intention to encourage property owners to request the certificate in order to benefit from these initiatives. To this effect, during the analysis of the relative applications, additional checks are undertaken in respect of assessors, and in particular cases, the assessors concerned are suspended where it is determined that the Authority cannot rely on the EPC issued in connection with the application.

The Authority aims to avoid resorting to fines or penalties, as these require the initiation of criminal court proceedings. Consequently, no fines are currently being imposed on defaulters. In addition, at present, there is no specific department responsible for monitoring and enforcement.

However, such actions still do not address the original observation concerning the lack of enforcement and the absence of penalties for those required to submit an EPC but fail to do so. As a result, the issue remains unaddressed.

No Segregation of Duties

The process that is undertaken when PA applications for changes to existing property are filed, was dependent on one officer and his judgement. This implied a lack of segregation of duties, which undermines internal controls and the efficiency of the process. It also increases the possibility that human error remains undetected.

It was recommended that the Agency exploits the advantages of an IT system, in order to reduce the manual work, simplify the process and mitigate human error. Such a system will indicate whether a property owner has carried out the required EPC, when a notification letter needs to be submitted, and also indicate any fines which may be charged.

Developments: Not Implemented

While some operational reinforcement has taken place through the involvement of additional officers, effective segregation of duties has not been achieved, as the same officer continues to handle multiple key stages of the EPC process, including receipt, review, day-to-day operations, system support, and assessor assistance, with verification only performed if an audit is triggered.

Furthermore, although an IT system was planned to be in effect as from June 2023, as reported in the Governance Action Report, progress seems to have stalled following the departure of the officer responsible for the project. As at the date of this follow-up⁶, the system is not operational and integration between EPC and PA records has not been achieved. Overall, progress has been limited, and the main risks identified in the original audit relating to segregation of duties and reliance on manual controls remain largely unresolved.

⁶ April 2026.

Conclusion

It is evident that the effective implementation of the audit recommendations highlighted in the 2020 Annual Audit Report is largely dependent on the introduction of a new IT system in collaboration with PA, which BCA is strongly encouraged to implement as a matter of urgency. The Authority is also encouraged to formalise similar collaborations with the other entities mentioned throughout this Report through the signing of a Memorandum of Understanding to establish clear roles, responsibilities and data-sharing arrangements. These would enable automated processes, system integration and structured workflows, the absence of which continues to limit the Authority's effectiveness in the management of EPCs. Immediate and structured corrective action is required to address long-standing control deficiencies.

Ministry for Health and Active Ageing

Mater Dei Hospital – Non-medical Equipment Facilities Management

Mental Health Services



Mater Dei Hospital – Non-medical Equipment Facilities Management

Background

The Annual Audit Report for Public Accounts 2020 published by the National Audit Office (NAO) included the findings following an audit performed on the expenditure incurred for non-medical equipment facilities management at Mater Dei Hospital (MDH). The main objective of this audit was to establish whether services in this regard were acquired in accordance with the provisions of the Public Procurement Regulations (S.L. 601.03) (PPR). Moreover, this Office sought to assess the adequacy of the audit trail and the extent of verifications being made by MDH, including confirmation of invoiced amounts against contracted rates, prior to effecting payments.

Control Issues

Negotiated Procedures

Provision of Mechanical, Electrical, Building and Furniture Maintenance Services

Following a call for tenders for the provision of mechanical, electrical, building and furniture maintenance services in 2012, a three-year contract ending July 2015, with a value of over €10.6 million was awarded to a local service provider. The contract allowed for the possibility to extend the term for a further two periods of one year each; thus, maximum up till July 2017. However, the agreement was renewed four times up to 31 January 2021¹. The following matters were noted:

- a. Approval to enter into a negotiated procedure for one year up to August 2018 was granted over four months later.*
- b. Three one-year agreements with the same service provider, with the effective dates August 2016, 2017 and 2018, were signed retrospectively in May 2017, June 2018 and November 2018, respectively.*
- c. Extensions not covered by the original tender, i.e., from August 2017 onwards, in aggregate amounted to over €14.6 million. Approval granted by the Department of Contracts for the two consecutive extensions commencing August 2018 was on the basis of lack of competition due to technical reasons, while for the 2017 and 2020 extensions, this was due to extreme urgency brought about by events unforeseeable by the contracting authority. Considering that the services had been ongoing since August 2012, granting approval on the latter basis was highly questionable.*

¹ This agreement was used up till 8 December 2020, since it was replaced by a new one entered into with effect from the next day following a call for tenders for the service in question.

Provision of Landscaping and Water Irrigation Services

Following a request from the Central Procurement and Supplies Unit (CPSU), the Department of Contracts approved a negotiated agreement for the provision of landscaping services at MDH and other health care entities. This covered a three-year period commencing January 2015 and amounted to €294,000. However, at least up to July 2021, these services were delivered by the same service provider, by direct order, justifying the requests as an interim measure until a new tender was awarded. Payments for services rendered between January 2015 and February 2021 totalled €573,533.

The following shortcomings were also observed:

- a. *Between January and June 2018, these services were provided without approval from the Department of Contracts and in the absence of an agreement. The services rendered between June 2020 and June 2021 were also not covered by an agreement.*
- b. *While the initial direct order approvals were granted for technical reasons, that covering services rendered for a one-year period starting June 2020 was granted for reasons of extreme urgency occasioned by unforeseeable events. Notwithstanding that the tender was sent for publication to the Department of Contracts by CPSU in November 2019, it was not published.*
- c. *Subsequently, as from June 2021, the services continued being provided without approvals and agreements.*

Upgrade and Maintenance Services on the Building Management System

In October 2015, the Department of Contracts granted approval to enter into a negotiated procedure for upgrade and maintenance services on the building management system at MDH, at a total estimated cost of €6,201,545 (VAT excl.) and for a period of seven years. Following this approval, the global cost was renegotiated with the supplier and the letter of acceptance stipulated that the contract could not exceed €5,250,000 (VAT excl.). Notwithstanding, the amount approved by the Department of Contracts was quoted by MDH as the official contract limit in the payment record sheet.

PPR are to be invariably adhered to. In cases where procurement was effected by negotiated procedures, MDH was to ensure that approval from the responsible authority was obtained ahead of commitment. Approval was also to be sought in instances of renegotiations resulting in a different contracted value from that originally approved.

Moreover, in addition to being supported by valid justifications, procurement by means of negotiated procedures was to be effected with due diligence, especially vis-à-vis repeated purchasing from the same suppliers, thereby reducing, to the least extent possible, any inherent risks associated with procuring goods and services from an uncompetitive market.

Developments: Fully Implemented

During 2025, mechanical, electrical, building and furniture maintenance services, as well as maintenance services to soft landscaping were still being provided at MDH, with both services procured following a public call for tenders.

Following the results of a cost-benefit analysis which evaluated whether an upgrade of the building management system in place was more economical and logically feasible than having a new system installed, the contract for the upgrade and maintenance of this system at MDH was awarded to the same service provider through a negotiated procedure for a period of seven years commencing 1 June 2023² for over €8.3 million (VAT excl.). The negotiated procedure was approved by the Department of Contracts on the basis of lack of competition due to technical reasons.

From the sample of contracts reviewed during this follow-up, NAO did not encounter any instances of contract values differing from those originally approved.

Supporting Documentation lacking Necessary Details

Documentation showing the fulfilment of contractual obligations concerning maintenance on the pneumatic tube system was, at times, either not available or not appropriately maintained. The following were noted:

- a. Preventive maintenance service sheets lacked the dates as to when maintenance was carried out. Consequently, it could not be ascertained whether the servicing period was in line with contracted terms.*
- b. The aforementioned service sheets included a list of materials consumed; however, they lacked detail as to the type of maintenance performed. Supporting documentation, confirming that all goods and/or services included in the agreement were actually delivered, was also not available.*

Management was to maintain documentation confirming that contractual obligations have been delivered to the satisfaction of MDH, also enabling audit trail and external verification.

Developments: Partly Implemented

Maintenance services for the pneumatic tube system at MDH were still being provided during 2025³ and the respective service sheets were duly dated.

Documentation confirming the delivery of goods utilised for the maintenance services forwarded for audit purposes pertained to 2020 and 2022. No such documentation was forwarded for the year under review. MDH explained that given that this was a lump sum contract, and materials used during the maintenance services were not invoiced separately, formal internal records of receipt of materials were not consistently retained. Nonetheless, the materials requested in 2025 were delivered and used for their intended operational purposes. Management further stated that control measures were planned to be introduced to enhance audit trail and accountability, including the retention of documented confirmation of receipt for all material deliveries, irrespective of payment arrangements.

² The previous agreement with the same service provider was effective from 1 January 2016 to 31 December 2022. Between January to February 2023, the service was procured from the same company, but no contract was in place. An agreement was available for the subsequent two-month period; however, this was not endorsed by CPSU and approval for this procurement was not made available for audit purposes. No information was forwarded to NAO relating to the maintenance services during May 2023.

³ Through an agreement covering the period between 2020 and 2026.

Similarly, the system software updates and the replacement of data bus drivers, another two contractual obligations, were not adequately documented. Packing lists showing the delivery of personal computers⁴ in 2021 and distribution boxes⁵ in 2020 were available; however, these were compiled by the service provider and not endorsed by MDH. Photographs of tools provided by the service provider and hardware on which software updates were carried out, were also provided as evidence. Nonetheless, this Office could not confirm that the delivery of the latter occurred during the contract term period.

Service Agreements not covered by Performance Guarantees or Insurance Policies

A review of the service agreements falling within the audit sample revealed instances whereby these were not covered by performance guarantees or insurance policies. The following relate:

- a. No performance guarantee, in line with Procurement Policy Note No. 22, was requested from the contractor providing preventive and remedial maintenance services on the building management system at MDH. The pertinent seven-year agreement for the amount of €6.2 million (VAT excl.) was entered into by negotiated procedure in December 2015. MDH confirmed that the letter of acceptance did not make reference to a performance guarantee.*
- b. While the original agreement covering mechanical, electrical, building and furniture maintenance services at MDH required the contractor to furnish a performance guarantee equivalent to 10% of the contract value, only a one-year period from August 2019 to July 2020 was covered by a bank guarantee. MDH confirmed that it had no records of guarantees covering prior periods starting from August 2012.*
- c. The contract for the provision of lifts maintenance services at MDH and Sir Anthony Mamo Oncology Centre required the contractor to submit evidence of insurance policies, including that covering third parties, as well as provide copies of related certificates and of receipts showing premium paid. However, evidence of insurance covering 2020 was not made available for audit purposes.*

Performance guarantees at a rate of 4% of the contract value for procured services valued between €10,000 and €500,000 (VAT excl.), and 10% of the contract value for contracts exceeding €500,000 (VAT excl.), were to be obtained. This will ensure protection from financial losses should the service provider fail to perform the contractual obligations. Furthermore, a copy of the respective bank guarantees was to be maintained on file for future reference.

Moreover, MDH was expected to request and keep in file copies of the respective insurance policies and ensure that these were duly renewed upon expiration to mitigate exposure to unnecessary risks.

⁴ On which updates were installed.

⁵ Being the data bus driver replacement hardware.

Developments: *Insignificant Progress*

The performance guarantee covering one of the sampled contracts, that for the provision of lifts maintenance services, was duly submitted as per agreement. On the other hand, although the contracts for the provision of mechanical, electrical, building and furniture maintenance services, as well as the maintenance services to the soft landscaping were still in force during 2025, the respective guarantees made available for audit purposes were expired and did not cover the year under review. In the case of the building management system contract, correspondence between CPSU and the commercial bank⁶ indicated that guarantees were in place during 2025; however, none were forwarded to NAO. Furthermore, no guarantees were available in relation to the contract for the provision of maintenance on the pneumatic tube system.

With the exception of the building management system, where the agreement did not include any clauses relating to insurance policies, MDH did not retain any insurance documentation for 2025 in respect of the other four services, even if in two instances this was specifically required in the contractual conditions. In March 2026, four months after NAO requested this documentation for audit purposes and when the fieldwork was already concluded⁷, CPSU contacted the respective service providers requesting the submission of insurance policies. Although insurance documentation for the majority of the contracts under review covering 2025 to 2026 was subsequently provided, that pertaining to the contract for maintenance on the pneumatic tube system remained unavailable.

NAO was informed that the responsibility for ensuring that performance guarantees are duly submitted and timely renewed rests with CPSU.

A review of the submitted documentation revealed that the insurance for the soft landscaping maintenance services fell short of the necessary requirements. Furthermore, the only document forwarded covered a one-year period effective from 15 March 2025; thus, it is unclear whether the contractor was adequately insured in the previous months.

In the absence of detailed policy schedules, NAO was unable to verify whether the insurance coverage and the limit of liability for the mechanical, electrical, building and furniture maintenance services complied with the respective agreement. The insurance documents provided for the lifts maintenance contract were insufficient for this Office to determine if the service provider held full indemnity coverage as required by the pertinent agreement. Furthermore, documentation made available for audit purposes did not provide evidence that these two service providers obtained medical insurance to cover their employees, a requirement set by Article 13.2 of the General Conditions for Service Contracts.

Procurement of Direct Order effected without Necessary Approvals

Procurement amounting to €21,835⁸ was effected by means of a direct order. This was approved by the pertinent authorities within the Ministry for Health; however, approval from the Ministry for Finance as required in terms of the PPR was not sought.

⁶ In December 2025, CPSU notified the bank that the guarantee was to be released and replaced with a single bond with immediate effect.

⁷ The initial request for insurance policies was made by NAO in November 2025. A final reminder was issued in January 2026, noting that the required documentation remained outstanding.

⁸ *Concerning the reprogramming of temperature regulation on existing ventilation and air-conditioning system for energy improvement.*

MDH was to ensure that procurement is invariably carried out in line with the requirements of the PPR, with the necessary approvals being sought ahead of commitment. Moreover, as much as possible, MDH was encouraged to plan ahead, thereby avoiding procurement by direct order with this only being resorted to in exceptional circumstances.

Developments: *Insignificant Progress*

As a measure for monitoring contracts and avoiding procurement by direct orders, MDH and CPSU introduced a document on a web-based platform which flags expiring contracts. Upon NAO's request for the list of agreements which expired during 2025, MDH forwarded that pertaining to its engineering section. This list included a total of 15 services, 7 of which continued to be procured through negotiated procedures as a stop gap measure until the respective tenders were awarded. In the absence of information pertaining to other sections, no further verification could be carried out.

Conclusion

Although reasonable improvement with regards to procurement was registered, concerns identified in the original audit relating to retention of documentation, performance guarantees and insurance policies still persisted.

Mental Health Services

Background

The Annual Audit Report on the Public Accounts for 2022, published by the National Audit Office (NAO), included the outcome of an audit on personal emoluments at the Mental Health Services (MHS). The main objectives of this audit were to ensure that overtime and allowances paid were accurate and in line with the applicable collective and sectoral agreements, as well as to assess the extent and adequacy of the relevant internal controls.

The audit revealed that allowances paid to staff were being calculated incorrectly, at times resulting in substantial overpayments. Testing also showed that officers were paid extra for services rendered to other Government departments or entities during normal working hours.

Key Issue

Lack of Control over Allowances

The shortcomings identified during the audit indicated that Management and personnel who were in any way responsible for payroll were not fully knowledgeable on the allowances being paid to MHS employees, and how payments were to be calculated and effected¹.

As detailed under Control Issues, three out of the four allowances tested by NAO, and for which the payable amount was not fixed but had to be calculated, were computed incorrectly. In one particular case, this led to substantial overpayments. Since the respective calculations could possibly be used as basis for other workings, these errors could also have impacted allowances paid to other officers not falling within the audit sample, as well as different financial years.

Moreover, NAO's queries on allowances computations were at times left unanswered. MHS was also not in a position to provide sufficient information on allowances which related to services rendered by its employees to third parties, and whether all the respective officers were granted approval to carry out such services. Furthermore, documentation reviewed showed that officers were providing these services during their normal working hours.

MHS was expected to be in full control of allowances being paid. Computations were to be thoroughly checked to ensure that amounts invariably reflect the officers' entitlements. Management was to consider utilising the Ministry's internal audit services to undertake a full exercise to verify the correctness of allowances paid in the year under review.

Furthermore, documentation in support of allowances was to be retained for future reference and any verification required to be made by third parties.

¹ Partly due to the fact that the officer responsible for payroll was on a period of long leave, with no adequate handover being given. This, in fact, had limited the scope of the audit.

Developments: Fully Implemented

In 2023, the then Ministry for Health and Active Ageing engaged a private audit firm to carry out an internal audit to assess whether overtime and allowances paid to Mount Carmel Hospital (MCH) employees in 2022 and 2023 were correct and in line with relevant collective and sectoral agreements and employment legislation. The audit also sought to determine the design and effectiveness of controls over payroll processes.

As from 2024, MHS' salaries were integrated with the public service payroll system. While the Personnel Systems and Compliance Directorate within the People and Standards Division at the Office of the Prime Minister is now responsible for adjusting the basic allowance within the central system, MHS retains responsibility for overtime and other allowances. The aforementioned directorate generates provisional payroll reports that are subsequently reviewed by MHS, providing an additional verification step prior to the final issuance of salaries. Management also explained that a file is being kept for each payroll run, including the relevant documentation substantiating salary adjustments.

Control Issues

Incorrect Calculation of Allowances at times leading to Substantial Overpayments

The lack of control commented upon in the Key Issue led to the following shortcomings that were noted from the transactions reviewed:

- a. *A sampled consultant's job plan included an additional four sessions per week and three Sundays in a year, apart from the normal duties². Payment for these additional sessions was disbursed as an allowance, according to the rates stipulated in the respective sectoral agreement. However, NAO noted that in 2022, the officer was remunerated for three Sundays in every payroll instead of a total of three Sundays annually. This translated in an overpayment for 36 Sunday sessions, the equivalent of at least €6,480.*

Given that this officer had been on this job plan since 2021, NAO could not exclude that such error was made prior to the year under review, and most probably recurred even in the subsequent year³. This incorrect method for calculating allowances for Sunday sessions could also have been applied in the case of other officers on the same job plan.

- b. *The job plan allowances paid to a resident specialist were not based on the schedule indicated in the same plan⁴, resulting in some of the hours worked paid at a higher rate. This had been ongoing since the officer's engagement with MHS in February 2021.*

Furthermore, since MHS confirmed that the sessions were meant to be four hours long, it was unclear whether the resident specialist allowance calculated on a pro-rata basis was in line with the payable rates per session as set out in the sectoral agreement.

² *In addition to the basic salary, consultants were paid on a sessional basis; therefore, these sessions were considered as part of the officer's normal working hours.*

³ *The incorrect calculation was brought to the attention of MHS during the audit. The foregoing was asked to confirm this shortcoming, but no reply was received by the time of writing of the audit report.*

⁴ *According to the job plan, the officer was to perform two extra sessions of two hours each per week. However, the respective allowances were based on one four-hour session per week throughout the year.*

- c. *Detailed testing on the extra duty allowances⁵ paid to a sampled basic specialist trainee revealed that breaktime very often was not being deducted when calculating the extra hours worked. This was particularly the case when the shift hours were extended to the following day, for even up to a total of 31 hours. In such instances, the 15 minutes standard breaktime was also considered as overtime.*

On the other hand, throughout 2022, the first hour in excess of the standard 40 working hours was paid to the sampled basic specialist trainee, and a resident specialist at the respective standard hourly rate rather than at the applicable higher rate⁶. An explanation to this effect was not provided. It was very likely that the calculation of the extra duty allowance received by all officers during the year under review was erroneously worked in this way.

MHS was to ensure that computations are independently checked to avoid inaccuracies. A comprehensive exercise was also to be conducted whereby the abovementioned allowances paid in previous years were to be recomputed to recoup any overpayments.

Developments: Significant Progress

According to MHS' calculations, the sampled consultant was overpaid a total of €13,450 between 2021 and 2023. The amount, resulting from the difference between the actual entitlement as per job plan and the actual amount paid, was to be fully refunded by the respective officer by the beginning of 2026.

Similarly, MHS recalculated the allowances payable to the abovementioned resident specialist since January 2022, when the officer opted for the current job plan. The overpayment up to July 2023 was €228, and this was fully refunded by the officer in the subsequent pay period. However, upon reviewing the calculation, NAO noted that this was based on an incorrect hourly rate, leading to an over-refund of €68. Management acknowledged the discrepancy and confirmed that the excess amount would be reimbursed to the officer concerned.

During 2025, both the consultant and the resident specialist were remunerated at the correct rates, and hence no similar overpayments were noted.

Since the basic specialist trainee was not paid extra duty allowances during the year under review, NAO could not confirm whether the issue was addressed and amount due for this type of allowance was being computed correctly. Thus, this Office enquired on the recoupment of overpayments with respect to the non-deduction of breaktime⁷ when calculating the extra hours worked, particularly when the shift hours were extended to the following day. MHS, stated that no refunds were due with respect to allowances paid in 2022.

This Office also sought clarification on the applicable rate for the first hour in excess of the standard 40 working hours. An exercise was undertaken by MHS whereby the extra duty allowances for 2022 and 2023 were recalculated, and the resulting underpayments owed to doctors duly settled.

⁵ *Basic specialist trainees and resident specialists who worked more than 40 hours per week were paid for the excess hours at higher hourly rates (time and a half for Mondays to Saturdays; double time and double time and a half the hourly rate for Sundays and public holidays respectively), with the overtime being remunerated by means of an extra duty allowance.*

⁶ *The spreadsheets used by MHS to calculate this allowance contained inaccurate information that could mislead the users of such data.*

⁷ *In the original audit, the 15 minutes standard breaktime was also considered as overtime.*

Minimal Information supporting Allowances paid

Some of the sampled employees rendered additional services to other Government entities, such as the Court Services Agency (CSA), the Office of the Commissioner for Mental Health (CMH) and the Malta Foundation School (MFS). The remuneration paid was classified as allowances and included with the respective officers' salaries.

Payments effected by MHS were solely based on the remittance advices received from the respective entities and no further information could be provided by the former. MHS also could not explain how the allowances were arrived at since no supporting documentation was available at its end⁸. With the exception of the services at CSA⁹, MHS was unable to confirm whether approval was given for these officers to provide services to third parties, and whether these services qualified as fee-paying work¹⁰, and therefore regulated by the respective sectoral agreement in the case of specialists and consultants. Thus, NAO could not ascertain that the provision of services to third parties was duly authorised and that the resulting allowances were justified.

MHS was to ensure that any officer who provides remunerated services to third parties was duly authorised to do so, and that the work provided was compliant with the applicable sectoral agreements. Furthermore, although MHS was not the ultimate bearer of the cost of the abovementioned allowances, being the entity which effects payments to the employees, it was still expected to at least be aware of what these related to.

Developments: Significant Progress

This issue was addressed through the introduction and communication of formal procedures governing private work and related activities. In 2024, a circular was issued by the then Ministry for Health and Active Ageing requiring public officers to request authorisation from the Ministry's Permanent Secretary before engaging in remunerated services to third parties outside their official duties, and to submit a 'Request to Perform Private Work' form¹¹ to the respective Director General People Management.

An internal memo, issued by the then Chief Executive Officer, was subsequently circulated to all MHS staff, reiterating the provisions of the abovementioned circular and emphasising the responsibility of officers who are granted approval to perform private work to ensure that this does not conflict with their official duties, in which case vacation leave was to be availed of. The memo also assigned oversight responsibility to Heads of Sections to monitor that such activities do not adversely affect employee performance.

Requests to perform private work made by the sampled officers only related to the provision of services to CSA; work carried out at CMH and MFS were not mentioned in such requests, even though payments were effected in this respect.

In the case of payments effected for work carried out at CMH, the only information available was the amounts claimed for services rendered by the sampled officer, with Management stating that MHS acts solely as an intermediary between the entity and the employee. As regards work performed at other departments or entities, details of the work carried out were limited to those featuring on the respective invoices.

⁸ MHS stated that it only received payment from the abovementioned entities, and this payment was then passed on to the employees.

⁹ According to MHS, in the case of consultants, work requested by the Court was considered as fee-paying work in line with the definition given in the sectoral agreement.

¹⁰ The sectoral agreement defines this as work which is not part of contractual work and is not reasonably incidental to it.

¹¹ As per Appendix 6.ii of the Public Service Management Code.

Services to Third Parties with Extra Remuneration rendered during Normal Working Hours

Audit testing on allowances related to services rendered to third parties revealed the following shortcomings:

- a. A sampled consultant was paid for services rendered to CMH. Supporting documentation obtained during the audit indicated that, at least on four occasions, the service was provided at a time during which the officer should have been performing duties at MCH. In addition, the consultant also provided services to MFS and CSA.
- b. Another sampled officer, namely a principal psychologist, also received an allowance totalling €44,199 for services rendered to CSA. Documentation in support of the respective payments was again limited to remittance advices that did not indicate the exact dates when the services were given. Towards the end of the audit, NAO was presented with the request made by this officer in October 2022, to carry out private work as a court expert at the Courts of Justice, with the approval granted the following month. Thus, NAO could conclude that the services rendered and paid for during the majority of 2022 were not duly authorised. Furthermore, the approval does not provide that this private work could be carried out during the officer's working hours.

MHS was to ensure that the remunerated services rendered to third parties were in line with the respective sectoral agreements and that all the necessary authorisations were in place prior to the commencement of such services. In the case of consultants carrying out fee-paying work, this was expected to be undertaken outside the respective officer's programmed activities or during periods of leave. Any documentation in this respect was to be duly filed for future reference.

MHS was also to ensure that additional services did not impinge on the performance of duties as detailed in the respective job plan.

Developments: Significant Progress

The requests by the sampled officers to undertake private work, as mentioned above, were submitted and approved in the first months of 2025. Consequently, any work carried out at CSA prior to these dates was not appropriately authorised.

During this follow-up audit, MHS provided documentation relating to overtime worked by an MCH employee¹² at Mater Dei Hospital. In this case, a request was made by MHS to confirm that the officer in question was not on duty at MCH whilst working such overtime. The submitted remittance advice slips were checked against MHS vacation leave records, thus confirming that verifications were taking place in this respect. However, in the case of the sampled consultant, MHS did not hold supporting documentation to show that services by this officer to MFS were rendered outside working hours.

For services rendered to CSA, reference was made to a Court Order, dated 29 April 2024¹³, whereby medical professionals were exempted from forfeiting vacation leave entitlements when required to provide expert advice to Court.

¹² The officer did not fall in the audit sample.

¹³ MHS did not provide a copy of this Court Order to NAO, but instead forwarded an internal memo, dated 28 June 2024, issued by the then MHS Chief Executive Officer. This was however unsigned and did not include attachments referred to in the same memo.

Payment in Advance

The educational supervision allowance remitted to one of the sampled officers included a prepayment for sessions held during the first six months of 2023¹⁴. This implied that the officer was paid irrespective of whether the related tasks were eventually performed or not. According to MHS, this was in line with the procedure established by MFS.

MHS was to raise this issue with MFS and try to find a solution whereby payment is effected only for supervision actually performed.

Developments: Fully Implemented

Management committed to processing payments solely for periods during which supervision was actually carried out. In fact, in May 2024, MHS payroll officers were instructed to issue payments to educational supervisors only once the corresponding funds were received from MFS.

Documentation and workings provided during this follow-up audit confirmed that the prepayment issue previously identified no longer persists. Payments are now being effected immediately after the end of the period to which they relate, thereby ensuring that remuneration is aligned with services already rendered.

Utilisation of Time Off In Lieu to benefit from Overtime Rates

Attendance sheets pertaining to a senior health carer, showed that time off in lieu (TOIL) was repeatedly availed of when on day shift¹⁵. This allowed the officer to report to work for 12 hours following such absence and get paid at overtime rates. The officer also worked regular overtime during the rest and off shifts. This trend persisted throughout the two pay periods reviewed. The total overtime for 2022 for this employee amounted to €38,092.

From the documentation obtained during the audit, NAO could not ascertain whether this situation also prevailed for other officers within the same unit or in other sections of MCH.

This trend, whereby MCH employees used their accumulated TOIL balance to avoid working their shift duty by roster and then opting to work overtime in a different shift period, was already reported upon in the 2014 Annual Audit Report issued by this Office.

MHS was to ensure that work rosters are implemented in the most efficient and cost-effective manner possible.

Developments: Insignificant Progress

Although a number of memos were issued since 2022, with the aim of regulating the accumulation of TOIL and the utilisation of balances, none of these supported Management's claim as reported in the Governance Action Report that it had issued instructions to all heads of sections to restrict staff from utilising TOIL for the purpose of performing overtime while on TOIL.

¹⁴ Out of the allowance of €1,449, payments in advance totalled €729.

¹⁵ Officer worked on a day-night-rest-off roster.

Moreover, a review of the attendance sheets pertaining to the abovementioned officer, confirmed the recurrence of the practice previously highlighted in the 2022 audit. In the first months of 2025, the officer was still utilising accrued TOIL during day shifts, while subsequently undertaking additional duties, remunerated at overtime rates, on other shifts, particularly on designated 'rest' or 'off' days. Although the sampled officer ceased utilising TOIL in May 2025, attendance records for May to July 2025 showed that vacation leave was being taken instead of TOIL during day shifts.

Compliance Issue

No Verification on the Performance of Private Practice

The sectoral agreement in force stated that consultants on 'Contract A' were precluded from carrying out private practice.

However, MHS confirmed that there were no procedures in place to verify that this condition was being adhered to by all consultants, claiming that Management would be alerted if private work was being carried out on a regular basis.

Whilst NAO acknowledged that monitoring the performance of private work might be an arduous and time-consuming task, MHS was at least expected to request such consultants to sign a declaration on a yearly basis, confirming that no private practice was being carried out. Any breach of this condition was to be investigated and appropriate action taken as deemed necessary.

Developments: Not Accepted

In its reply to the 2022 Annual Audit Report, Management had indicated that any variations to the sectoral agreement would need to be agreed with the signatory union. Given that this may give rise to counter requests being raised by the union, the pursuit of this recommendation was not recommended.

MHS confirmed that it still does not have a direct monitoring mechanism to independently verify whether consultants engaged under 'Contract A' undertake private practice. Compliance with the sectoral agreement conditions relies solely on the contractual obligations and declarations made by the consultants themselves. Management reiterated that the introduction of such mechanisms would require prior discussion with the representative union.

MHS further stated that no instances of breach of contract by employees were reported or noted during 2025.

Conclusion

NAO acknowledges the considerable efforts made by Management to mitigate the weaknesses identified during the original audit, and to address the recommendations put forward in the 2022 Annual Audit Report. With the exception of one instance in which limited progress was registered the other recommendations were either fully implemented or had achieved significant progress. Nevertheless, more needs to be done, particularly in relation to the approvals and documentation kept for services provided by MHS officers to other Government departments or entities and the utilisation of TOIL to benefit from overtime rates.

2025-2026 (to date) Reports issued by NAO

NAO Annual Report and Financial Statements

July 2025 National Audit Office Annual Report and Financial Statements 2024

NAO Audit Reports

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

July 2025 Follow-up Audit Reports by the National Audit Office Volume I 2025

July 2025 Joint Audit on the Performance of the Interreg Italy - Malta Programmes: The Results Achieved in the 2014-2020 Programming Cycle and an Outlook on the 2021-2027

September 2025 The Government's rescission of restrictions on the site of the Fortina Hotel

October 2025 A review of Malta's climate action using the ClimateScanner framework

November 2025 Report by the Auditor General on the Workings of Local Government for the year 2024

December 2025 Report by the Auditor General on the Public Accounts for the year 2024

December 2025 Performance Audit: Home-Based Medical and Clinical Services for the Elderly

December 2025 Performance Audit: A Strategic Evaluation of Malta's Smart Specialisation Strategy for Research and Innovation

February 2026 Follow-up Audit Reports by the National Audit Office Volume II 2025