National Audit Office MALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS

2025

National
Audit
Office
MALTA

Annual Report and Financial Statements

2025

Report by the Auditor General

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

Charles Deguara
Auditor General

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

National Audit Office
July 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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List of Abbreviations

AAG	Assistant Auditor General
AG	Auditor General
AI	Artificial Intelligence
ASOSAI	Asian Organisation of Supreme Audit Institutions
CC	Contact Committee
CCAA	Climate Change Adaptation Action
CIO	Chief Information Officer
CSR	Corporate Social Responsibility
DAG	Deputy Auditor General
ECA	European Court of Auditors
ECL	Expected Credit Losses
eGov	Electronic Government
ESG	Environmental, Social and Governance
EU	European Union
EUISS	European Union Institute for Security Studies
EUNA	European Union Network Audit
EUROSAI	European Organisation of Supreme Audit Institutions
F&C	Financial and Compliance
GIS	Geographic Information Systems
ICT	Information and Communications Technology
IDI	International Organisation of Supreme Audit Institutions Development Initiative
IFRS	International Financial Reporting Standard
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standard on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
ITASA	Information Technology Audit Self-Assessment
ITSA	Information Technology Self-Assessment
ITWG	Information Technology Working Group
MITA	Malta Information Technology Agency

List of Abbreviations continued

MoC	Memorandum of Cooperation
MoU	Memorandum of Understanding
MPF	Malta Police Force
MTA	Malta Tourism Authority
NAO	National Audit Office
NAOAC	National Audit Office Accounts Committee
NSO	National Statistics Office
OECD	Organisation for Economic Cooperation and Development
PAC	Public Accounts Committee
PMF	Performance Measurement Framework
SA&I	Special Audits and Investigations
SAI	Supreme Audit Institution
SDG	Sustainable Development Goal
SMM	Senior Management Meeting
TSI	Technical Support Instrument
VAT	Value Added Tax
WGEA	Working Group on Environmental Auditing

Foreword

Auditor General's Overview

Auditor General
Charles Deguara

2025 – another memorable year for the National Audit Office

I am honoured and humbled that, pursuant to the Constitutional amendment, unanimously approved by both Government as well as the Opposition during the Parliamentary seating of 25 March 2026, my term as Auditor General (AG) has been extended until such time that a successor is duly appointed, as likewise is applicable in the case of the Deputy Auditor General (DAG). Thus, I have been given the responsibility to continue leading our formidable National Audit Office (NAO) team, to whom I convey my heartfelt appreciation for the excellent results obtained once again during 2025.

Undoubtedly, it has been another truly memorable year for the Office, both on the local as well as the international scene; a year during which, through a collective and determined team effort, **together** we have managed to ensure that our Office remains a vibrant, relevant institution, duly fulfilling its commitments and mandate in terms of the Constitution. And, most importantly, we have continued to enjoy the steadfast respect and trust of our Parliament and, ultimately, our citizens. Throughout my tenure as AG, I have invariably emphasised that all our work be guided exclusively by a single compass, namely that based on the fundamental values of integrity, fairness and objectivity, taking all necessary decisions "without fear or favour".

As reflected in this extensive Annual Report, considerable effort has been dedicated to the development of the NAO's ambitious, comprehensive Audit Plan for 2025.

The Plan is underpinned by a robust, risk-based methodology, supported by an internal framework that systematically identifies and prioritises areas of highest risk and significance. This ensures that audit coverage is strategically targeted, thereby maximising the relevance and impact of the Office's work.

In essence, these audit assignments across the public sector constitute our core duty, as established by the Auditor General and National Audit Office Act, 1997, as well as Article 108 of the Constitution of Malta. The most important aspect of all our reports, rather than just focusing on any shortcomings or issues that we come across, is that we evaluate and propose doable and feasible recommendations with the intention of addressing these challenges in a timely and viable manner. This emanates from our ultimate objective to continuously strengthen the level of good governance across the public sector, leading to enhanced service delivery to our citizens. These improvements across the departments and entities, as a direct result of our audits, constitute the main source of job satisfaction derived from our work.

At this stage, I would like to emphasise that the quantity of audits carried out by our teams during the year is just one aspect of the equation; indeed, one cannot ignore our ongoing efforts to continuously enhance the quality of our evidence-based assignments, carried out in line with international auditing standards. Only thus can our Office aspire to produce the highest quality audit reports, retaining its high level of credibility and trust in Maltese society. For this reason, in our determined efforts to enhance the impact of our audit work, during 2025 we have given very high priority to an extremely challenging European Union (EU) Technical Support Instrument (TSI) project that is funded by the European Commission. Following a period of internal analysis and reflection, arising from an extensive internal review, known as the International Organisation of Supreme Audit Institutions (INTOSAI) Performance Measurement Framework (PMF), we have decided to choose the Organisation for Economic Cooperation and Development (OECD) as our operational partners in this important project.

I am confident that, through the commitment and hard work being put in by both the NAO as well as our OECD colleagues, this project will eventually serve as a catalyst for the required organisational changes within our Office. This is particularly so, in view of our plans to institutionalise in a more effective manner our quality assurance function and to make better use of data analytics. Thus, we will effectively ensure that we will have the necessary tools and resources within our Office to be able to provide the best audit service possible to the leadership of the public service.

In this regard, I reaffirm my firm conviction that an excellent working relationship with our auditees, essentially based on mutual trust and respect, is a sine qua non for ensuring the best outcomes for our audit assignments. As rightly stated by Prof Edward Warrington, former Head of the Department of Public Policy at the University of Malta, in a recent NAO publication, *State Audit in Times of Transition*, precisely under the aptly titled paragraph "cooperation without collusion" (page 208), I fully concur that:

"Not only does goodwill facilitate cooperation between auditors and auditees: a spirit of goodwill permits deeper reflection on the lessons emerging from an audit and encourages post-audit follow-up by the auditee itself and its supervising Ministry, by the Office of the Principal Permanent Secretary, and by the NAO." Obviously, I would like to emphasise that we need to invariably ensure that this does not compromise in any manner the independence of the NAO; duly safeguarding our independence without exception or fail is indeed one of our highest strategic goals.

In this regard, I refer to my recent article, entitled *The Establishment of the National Audit Office of Malta: Safeguarding of SAI Independence Enshrined in the Constitution*, that was published in the Special Issue: *Supreme Audit Institution Independence of the International Journal of Government Auditing*, fourth quarter of 2025. One surely cannot overemphasise the fundamental importance of the concluding paragraphs:

"With the amendment of Article 108 of the Constitution and the enactment of the Auditor General and National Audit Office Act, 1997, the NAO emerged as a fully autonomous oversight institution led by an Auditor General and Deputy Auditor General, whose appointment invariably requires the support of no less than two-thirds of the Members of Parliament. Other important provisions in the legislation, such as those related to the recruiting and financing of the NAO, reinforce the Office's total independence from the Executive.

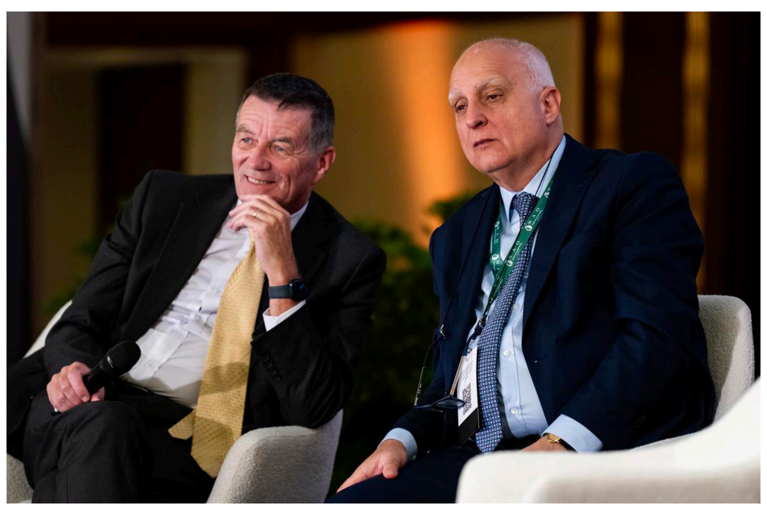
Thanks to these important amendments, Malta's NAO complies with the Lima and Mexico Declarations on the functions, independence and ethos of Supreme Audit Institutions. **Undoubtedly, only a fully independent external audit function can guarantee a reliable, fair and trustworthy reporting of audit findings and recommendations**."

Moving over to the international sphere, our credibility and image has likewise been considerably enhanced through the successful organisation in Malta of two important international events in 2025. In the beginning of July, the NAO hosted the 23rd INTOSAI Working Group on Environmental Auditing (WGEA) Assembly, with 115 participants from 46 Supreme Audit Institutions (SAIs) from across the globe attending. The INTOSAI WGEA plays a pivotal role in strengthening the capacity of SAIs to conduct high-quality environmental audits across the globe. The highly relevant theme of the Malta assembly, *Auditing Our Blue Planet*, focused on pressing environmental challenges related to the marine environment and water scarcity, where the main focus revolved around the impacts of drought and the availability of drinking water.

EU CC Meeting organised by the NAO in collaboration with the ECA, from 19 to 20 November 2025

Then, in November, we hosted the highly prestigious EU Contact Committee (CC) Meeting, organised by our Office in close collaboration with the European Court of Auditors (ECA). When we submitted our bid to host this annual meeting, involving the participation of all heads of the national audit institutions within the EU, there were some initial doubts as to whether the smallest national audit institution within the EU would actually be able to organise such a challenging meeting in Malta for the first time ever. However, thanks to all those NAO colleagues who were actively involved in the organisation of this meeting, the extremely positive feedback that we received after this event from various participating national audit institutions is evidence of the successful outcome of the Malta conference.

Suffice it to state that we have decided to issue a commemorative book that, among other recipients, has been circulated to all participants. This book makes us all so very proud that, once again, **together** we have managed to rise to the occasion and, besides having a most productive discussion


Tony Murphy, ECA President, and Charles Deguara, AG, co-chairing the EU CC Meeting

on the topical theme of enhancing competitivity within the EU, especially as to how our Offices can play a crucial role in this regard, we also managed to showcase Malta's extremely impressive historical and cultural heritage. Co-chairing this important annual event together with Tony Murphy, President of the ECA, was an experience that I will cherish for ever.

Our management's firm commitment to invest heavily in the most valuable and important asset that we have, namely our human resources, was evidenced in November 2025 when, after months of sometimes difficult negotiations with the Union representing the majority of our employees, we finally signed another Collective Agreement for the period 2025–2030. This Agreement substantially enhanced the working conditions of all our staff, providing an extremely competitive remuneration package, as well as family-friendly working conditions that enable a considerably improved work-life balance. This acknowledges and rewards the resilience, hard work, motivation and dedication shown by all our staff, both technical as well as administrative, without whom the abovementioned outstanding results achieved during 2025 would not have been possible.

Our Finance and Administration Section, in close collaboration with the respective audit sections, has once again organised various training initiatives enabling our employees to have access to the required professional development opportunities. Suffice it to make reference to the training on *Audit Documentation for Compliance Auditing*, in line with International Standards of Supreme Audit Institutions (ISSAI) 4000, held in April 2025. This training was excellently delivered by Vani Sriram, who possesses extensive experience and competence in the area of public sector auditing, having previously served as Deputy Comptroller and AG at SAI India. Moreover, her extensive hands-on experience, as well as her remarkable communication skills, led to very positive feedback from our participating staff. It is only through such opportunities that our audit teams can keep abreast of ongoing developments, ensuring a duly trained and competent workforce.

One of the most important strategic goals that is included in the present NAO Strategy 2024–2028: Enhancing Audit Impact focuses on the need to continuously improve stakeholder communication. For this reason, we are committed "to foster greater collaboration and effective communication with stakeholders" that, we strongly believe, provides added value to our work. Thus, during 2025, we signed important cooperation agreements with two key stakeholders:

a. In November, our Office and the National Statistics Office (NSO) of Malta signed an updated Memorandum of Cooperation (MoC). This renewed agreement builds on our previous 2022 accord, continuing to formalise our collaboration to ensure greater transparency, accuracy and quality assurance in public sector accounts.

b. In December, our Office and the Malta Police Force (MPF) signed a new MoC to strengthen institutional collaboration and promote good governance. This strategic partnership focuses on three main areas of cooperation:

   - Information Sharing: Enhancing the secure exchange of data to better investigate the abuse and misuse of public funds.
   - Joint Training: Conducting specialised training sessions and exchanging operational best practices.
   - Streamlined Operations: Improving the overall effectiveness of investigations and oversight processes.

In line with the intensification of our outreach policy, we participated for the first time ever in both the Malta College of Arts, Science and Technology Freshers Week held in October, during which we shared a joint stand with two of our principal stakeholders, namely the Parliamentary Services and the Office of the Parliamentary Ombudsman, as well as the Local Councils Association EXPO in December. I was personally impressed by the interest that our work and commitments generated during both events.

The ECA constitutes another critical stakeholder for our Office; indeed, in March, we organised another NAO-ECA Joint Seminar in Malta that was dedicated to the critical theme, *Enhancing the Impact of Sustainability Audits*, reflecting the growing importance of Environmental, Social and Governance (ESG) considerations in public sector auditing. The seminar brought together NAO staff, members of the ECA, Members of Parliament from the Public Accounts Committee (PAC) (one of our most important stakeholders), representatives from ministries and public entities, academia and sustainability experts, providing a platform for engaging discussions on how audit institutions can contribute to sustainability efforts – ultimately serving the best interests of their citizens.

This joint NAO-ECA Seminar underscored the growing importance of sustainability audits in public sector auditing and highlighted the ongoing collaboration and strong working relationship between the NAO and the ECA, aimed at promoting high-quality public audit practices that comprehensively assess environmental sustainability, social responsibility and good governance.

Undoubtedly, the most memorable day for our Office during 2025 was the first official visit to our Office of Her Excellency, Dr Myriam Spiteri Debono, President of Malta, on 8 May. This visit, particularly Her Excellency's message to our staff, was a source of considerable satisfaction and encouragement. We felt greatly honoured to hear the President's public appreciation of our work, highlighting our decisive role to enhance good governance and the rule of law within our country. We thank our Head of State for finding the time to visit our Office and to follow our reports so assiduously.

All these main events and initiatives in 2025 confirm our strategic commitment to ensure that the NAO remains a vibrant, relevant institution. Incidentally, we are already planning as to how we will commemorate the 30th anniversary of the setting up of the NAO in its present format during the coming year. In this regard, I extend our appreciation to all our predecessors within our Office since ultimately without their work and efforts we would not have achieved today's excellent results. Moreover, once again, I convey my heartfelt thanks and appreciation to each and every member of our incredible team, namely my Deputy, senior management and all staff (both technical as well as administrative) whose commitment, resilience and professionalism is indeed commendable. While being aware of the considerable challenges and issues that we have to face from time to time, I am confident that our Office will be able to discharge its Constitutional mandate in the best manner possible during the coming years.

I conclude my humble contribution with the following quote from my Foreword to the NAO Strategy 2024–2028. Indeed, I strongly believe that in a nutshell this statement encapsulates who we are and what we aspire to achieve:

"The NAO's strengths lie in its highly competent and professional workforce, its dedication to transparency and its unwavering commitment to promulgating good governance in the administration of public resources, all of which contribute to the Office's favourable public image and solid reputation. Central to its ethos is the commitment to independence and autonomy, ensuring that audits are conducted impartially and objectively, free from external influences, and invariably evidence-based."

Charles Deguara
Auditor General

July 2026

Reflections by the Deputy Auditor General

Strengthening the NAO:
Turning strategy into lasting value

Deputy Auditor General
Noel Camilleri

Over recent years, the NAO has embarked on a series of interconnected initiatives aimed at strengthening its institutional capacity and enhancing the quality, consistency and impact of its audit work. These initiatives are neither isolated nor incidental; they form part of a deliberate, evolving reform programme firmly embedded in the NAO Strategy 2024–2028, which sets out a clear vision for a more modern, resilient and strategically focused Audit Institution.

Many of the more recent projects build on foundations laid almost a decade ago. Nearly nine years ago, the NAO introduced a structured approach to recording and analysing time spent on work, marking a decisive shift in how the Office plans, monitors and evaluates its activities. This initiative provided the backbone for meaningful performance measurement (quantity) and more realistic audit planning, significantly reducing reliance on approximation and guesswork. It enabled the Office to move away from discussions framed in terms of weeks or months, towards a more precise and professional language centred on audit hours and productive time.

The PMF, which was subsequently adopted by the NAO, enabled the Office to critically reflect on its own performance, systems and internal processes in a structured manner. It identified strengths and areas for improvement and determined whether existing practices were delivering the intended results (quality and effectiveness). By using defined performance indicators, the PMF allowed the NAO to objectively evaluate its effectiveness and maturity as an organisation, supporting continuous improvement and stronger internal governance.

These methodological developments were complemented by the introduction, almost three years ago, of a risk assessment framework covering the public sector. This framework is now entrenched in audit planning processes and provides structured insights into areas of relative risk across public administration. It supports informed prioritisation and helps ensure that audit resources are directed where they can have the greatest effect. The framework is deliberately designed as a living tool, refined continuously as risks evolve and more information becomes available, enabling planning to be guided by analysis rather than assumption.

The PMF evidence-based approach has informed some broader organisational decisions, including the strategic reorganisation of audit functions. The former Financial and Compliance (F&C) Audits Section has now been divided into two distinct units: one dedicated to financial audits (including the government's consolidated financial statements); and the other to compliance audits. This structural change reflects the reality that the two audit disciplines, while complementary, rely on different methodologies, evidential requirements and skill sets. The separation provides a clearer framework for expertise development and more targeted quality assurance within each stream.

Alongside this restructuring, ongoing efforts have been directed towards strengthening compliance auditing, an area that required clarity of methodology and consistency in the application of standards. The development of a new compliance audit manual, supported by external expertise from KPMG, is intended to provide auditors with structured guidance, common templates and clearer procedures. The objective is not to constrain professional judgment, but to support it through shared methods and alignment with ISSAIs, thereby enhancing both consistency and credibility.

At an institutional level, these efforts are reinforced by the TSI Project – Improving External Audit Quality, which focuses on strengthening the NAO's long-term internal architecture. Among its key deliverables is the establishment of an audit support function and a quality assurance function, embedding consistency, methodological rigour and institutional learning across all audit streams.

Importantly, the TSI project is also expected to bring about changes in the manner audit work is conducted. The project, through its digitalisation work stream, places increasing emphasis on the systematic use of data, data analysis and analytics, and on enhanced technological support. This evolution will enable the NAO to extend audit coverage across a wider segment of the public sector, while allowing for more precise analysis of trends, patterns and outlying transactions. The strengthened use of technology is intended to support auditors in moving beyond traditional, sample-based approaches, enhancing both efficiency and analytical depth.

Another important evolution that has taken place relates to the Office's participation in external professional events, which has given staff more international exposure. Experience over time has demonstrated that auditor competence and professional judgment are strengthened through exposure to international practices, other audit institutions and comparative perspectives. Consequently, participation in such fora, audit projects and exchanges is increasingly regarded as a strategic investment in institutional capacity, contributing to higher quality audit work and stronger professional confidence.

The NAO leads by example. The extensively revised Code of Ethics, to be released shortly, reinforces sound governance in the Office by clearly setting out ethical values, responsibilities and expected standards of conduct. Aligned with international best practice and drawing from some of the best audit institutions in the world, it promotes integrity, professionalism, objectivity and respect, while offering practical guidance for ethical decision-making. The new Code will further strengthen internal accountability, nurture a culture of trust and respect, and uphold the Office's credibility and independence.

It must, nevertheless, be acknowledged that change is never easy. Meaningful reform can be demanding and, at times, uncomfortable. It requires a firm belief in the NAO's vision, patience and perseverance. Often, the benefits are not immediate but accrue over time. The NAO is supported by a strong group of capable, dedicated professionals committed to delivering audit work that is robust, relevant and impactful. Indeed, they are united by one common purpose: to strengthen the public service and make a meaningful contribution to society.

Taken together, these initiatives give concrete expression to the Office's strategy and direction, demonstrating that they are clearly reflected in practice. Processes, frameworks and systems are integral to the auditing profession and cannot be set aside under any circumstances. While reform may entail short-term strain, it delivers lasting value.

Senior management may be temporary, but its enduring legacy is defined by the strength of the systems it builds, the processes it embeds and the professional culture it shapes, leaving a sustained benefit for the Office, the Public Service, Parliament and the country's citizens.

Finally, I would like to express my sincere appreciation to all those who proactively supported these initiatives, as well as to those who provided their suggestions and constructive criticism. Ultimately, it is such collective engagement and commitment that will help define the future of the NAO.

Message by Dr George-Marius Hyzler, Maltese Member of the European Court of Auditors

A shared responsibility in safeguarding the public interest

ECA Maltese Member
Dr George-Marius Hyzler

The evolving landscape of public accountability within the EU calls for audit institutions to continuously adapt, innovate and collaborate. From my perspective, the relationship between the ECA and national SAIs is not merely one of coordination, but one of shared responsibility in safeguarding the public interest.

While each institution operates within its own constitutional and legal framework, the increasing complexity of EU policies and funding mechanisms necessitates a deeper level of engagement among auditors at both European and national levels. The effective scrutiny of EU expenditure today requires not only technical expertise, but also an appreciation of the broader policy context in which these funds are deployed.

Shift to performance audit

In recent years, the emphasis has shifted towards performance-oriented auditing, with a stronger focus on results, impact and added value. This reflects the expectations of European citizens, who rightly demand transparency not just in how funds are spent, but in what they ultimately achieve. In this regard, cooperation between the ECA and national audit bodies enhances the overall quality and relevance of audit work, ensuring that findings resonate beyond institutional boundaries.

The framework for this cooperation continues to be supported by long-standing mechanisms for dialogue and exchange, including regular interactions among audit professionals and the sharing of methodologies and best practices. These channels provide fertile ground for innovation, allowing institutions to learn from one another while respecting their distinct mandates.

The technological challenges ahead

Looking ahead, one of the key challenges lies in addressing emerging risks associated with digitalisation, sustainability, climate-related expenditure and crisis-response funding. These areas require auditors to develop new skill sets and adopt forward-looking approaches. Joint efforts, whether through coordinated audits or thematic collaborations, and not least through exchange of best practices, can play a significant role in strengthening audit coverage and execution in these domains.

It is also essential to recognise that independence remains the cornerstone of effective public auditing. Strong cooperation must therefore be balanced with a clear respect for institutional autonomy. In my experience, this balance is not only achievable, but has been instrumental in fostering mutual trust and professional respect among audit institutions.

The experience of recent global disruptions has further demonstrated the resilience of audit bodies in maintaining continuity under challenging circumstances. By leveraging technology and embracing flexible working methods, both the ECA and its national counterparts have ensured that accountability mechanisms remain robust and responsive.

Sustainability audit

A particularly significant area of development within public auditing concerns sustainability audit, which has rapidly evolved from a specialised field into a central component of public accountability across the EU. As governments and institutions commit increasing levels of public funding towards climate transition, environmental protection, energy resilience and sustainable development objectives, auditors are expected not only to verify compliance and financial regularity, but also to assess whether these interventions deliver measurable, lasting outcomes.

Sustainability audits demand greater methodological innovation and forward-looking evaluation tools. In this context, cooperation between the ECA and national SAIs becomes particularly valuable, enabling the exchange of expertise, methodologies and practical experiences that strengthen the overall quality and consistency of sustainability-related audit work throughout the Union.

Continued cooperation

Ultimately, the effectiveness of the European system of public audit depends on the cooperation with stakeholders, including national audit authorities and the SAIs. By continuing to invest in cooperation, knowledge-sharing and innovation, one can ensure that public auditing remains a vital pillar of democratic governance across the Union.

Joint NAO-ECA seminars

An important dimension of this cooperation during my tenure has been the continued organisation of the Joint NAO-ECA Seminar, held annually in collaboration with the NAO. These seminars have provided a valuable platform for structured dialogue, professional exchange and reflection on emerging challenges facing the audit community. Each edition has been carefully designed to address pressing and forward-looking themes.

These seminars have gone beyond being periodic events; they have become an integral part of an ongoing process of engagement between the ECA and the NAO. By fostering open dialogue and encouraging the exchange of practical experiences, they have contributed to strengthening professional capacity and reinforcing a shared commitment to high-quality public auditing.

In this regard, these initiatives exemplify how sustained interaction can translate into tangible benefits, both for the institutions involved and for the broader system of public accountability within the EU.

In 2024, discussions centred on *Digitalisation and Artificial Intelligence in Public Audit*, with particular attention paid to the opportunities and risks associated with integrating Artificial Intelligence (AI)-driven tools into audit processes.

In 2025, the seminar theme was *Enhancing the Impact of Sustainability Audits*, reflecting the growing importance of environmental and social considerations within the EU policy framework. This theme underscored the role of auditors in assessing not only compliance, but also the long-term effectiveness and relevance of sustainability-related interventions.

The 2026 seminar, focusing on *The Relevance of EU Competitiveness for Malta and for Audit*, brought to the fore the intersection between economic policy priorities and audit oversight. It highlighted how auditors can contribute to a better understanding of competitiveness challenges while ensuring that public resources are deployed efficiently and strategically.

European Union Contact Committee

The 2025 Meeting of the EU CC, hosted in Malta, marked a historic milestone for the NAO. The event brought together the Heads of SAIs of all EU member states and the ECA, together with the OECD in Europe: Support for Improvement in Governance and Management (SIGMA) and the SAIs of candidate countries participating as active observers.

Held over two days under the theme of EU competitiveness, the meeting served as an important forum for the exchange of knowledge and experience arising from national audit work in areas such as public investment, innovation, energy security and digitalisation. Discussions also focused on the role of SAIs in promoting, through audit work, accountability, transparency and effective public governance as key enablers of competitiveness at both national and EU levels.

ECA Summer School

In June 2026, the ECA, in collaboration with the University of Malta, organised the ECA Summer School 2026 in partnership with the NAO and the Ministry for Finance. The Summer School is an established high-level forum that brings together senior public auditors, policymakers, researchers and practitioners from across the EU and beyond to reflect on the significant transformations shaping public audit, governance, public finance and accountability in an increasingly dynamic global environment.

The NAO contributed actively to a number of panel discussions and led dedicated sessions on integrating evaluation approaches into performance auditing, as well as on assessing and maximising impact in public audit.

Sustained engagement

As public governance continues to evolve in response to increasingly complex economic, social and environmental challenges, the role of audit institutions in promoting accountability, transparency and effective public administration becomes ever more important. Through continued cooperation, innovation, and the exchange of knowledge and experience, the ECA and the NAO can further strengthen their collective contribution to sound financial management and democratic governance across the EU.

The initiatives and collaborations highlighted above demonstrate the value of sustained engagement in ensuring that public audit remains responsive, relevant and capable of addressing the challenges and opportunities of the future.

Part one

2025 at a Glance

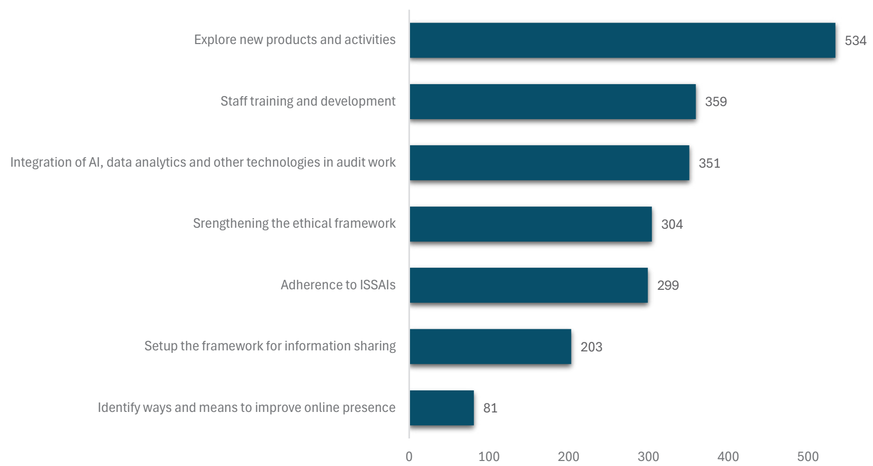
Audit hours worked

66,541
Hours worked

14,190	Planning and Research
2,494	Data Collection
24,698	Fieldwork and Analysis
10,876	Reporting - Drafting
8,450	Reporting - Review
4,074	Publication
1,759	Post-publication

Implementation of the NAO Strategy 2024–2028

2,131
Action-plan hours



Professional development

2,350
Auditor hours

1,330	Financial and Compliance Audits
437	Performance Audits
305	Special Audits and Investigations
149	Information Technology Audits and Operations
129	Finance and Administration

Corporate capacity

66 Employees as at end of year

+2 from 2024

40 female

26 male

Key institutional milestones

EU Contact Committee Meeting

23rd Assembly of the INTOSAI Working Group on Environmental Auditing

Signing of NAO Collective Agreement 2025–2030

Technical Support Instrument Project 25MT24 – Improving External Audit Quality

Signing of separate Memoranda of Cooperation between the NAO and the Malta Police Force and National Statistics Office

Financials

Government subvention

€4,450,000	Recurrent
€1,500,000	Capital
€4,600,980	Salaries and personnel expenses
€725,408	Administrative and other expenses
€318,246	Subcontracted audit fees of local councils
€5,644,634	Total operating expenditure

Major external stakeholders

Public Sector
Parliament
INTOSAI, EUROSAI, EU Contact Committee
IDI
ECA and other Supreme Audit Institutions
European Commission
OECD
Media
Civil Society

Corporate governance and organisational development

This section of the report presents a comprehensive overview of the Office's governance framework, organisational evolution, and its ongoing efforts to strengthen institutional capacity and audit quality. It outlines how the NAO continues to align its internal structures, management practices, and human resources with the strategic priorities set out in the NAO Strategy 2024–2028, ensuring the effective delivery of its mandate to promote accountability, transparency, and sound public financial management.

Leadership and management

This section of the report outlines the leadership and management framework of the NAO in 2025, highlighting the structures, roles and processes that underpin the effective governance and day-to-day functioning of the Office. It demonstrates how strategic direction and operational oversight are exercised through a clearly defined hierarchy, led by AG and supported by senior and middle management.

Senior and middle management structure

In 2025, the senior management team of the NAO, led by Charles Deguara, AG, comprised Noel Camilleri, DAG and four Assistant Auditors General (AAGs): Stefano Manicolo and Tanya Mercieca, F&C Audits Section; William Peplow, Performance Audits Section; and Keith Mercieca, Special Audits and Investigations (SA&I) Section.

The senior management team was responsible for:

a. setting the overall direction of the Office in alignment with the NAO Strategy 2024–2028;
b. overseeing and monitoring audit progress;
c. drafting and disseminating policy directives;
d. engaging with stakeholders; and
e. coordinating cross-functional initiatives.

These, together with other pertinent management matters, were discussed and decided upon during Senior Management Meetings (SMMs) held throughout the year.

The day-to-day operations of the NAO were overseen by line managers operating under the direction of the senior management team, constituting the middle management team of the NAO.

The Audit Managers, who reported to their respective AAG/s, were:

a. Christopher Micallef and Maria Ferriggi (responsible for financial audits, including local councils) as well as Sharon Borg Finn and Yvette Vella (responsible for compliance audits) from the F&C Audits Section;
b. Maria Azzopardi and Simon Vassallo from the Performance Audits Section; and
c. Josephine Vella and Maressa Stivala from the SA&I Section.

Additionally, Ing Simon Camilleri, Audit Manager, Information Technology (IT) Audits and Operations Section, and Ian Rizzo, Manager, Finance and Administration, both reported to the DAG. Dr Rebecca Vassallo, Liaison Officer, International Affairs, reported directly to the AG.

The senior management meeting forum within the NAO

The SMMs forum serves as the NAO's principal collective decision making and coordination forum, bringing together the AG, DAG and AAGs to steer the Office's strategic, operational and governance agenda. Through the SMMs, senior management ensures that decisions affecting audits, resources, institutional development and external relations are discussed holistically and recorded formally through agreed minutes, providing organisational clarity and accountability.

During 2025, the SMMs played a particularly significant role in guiding the NAO through a period of organisational change and increased external engagement. Key decisions included: advancing discussions on the proposed reorganisation of the Office, with agreement to dedicate structured away days to address complex organisational and governance issues; steering the NAO's position and responses in relation to ongoing collective agreement negotiations, treating these as a strategic priority; and strengthening international and EU engagement, including decisions related to EU funded initiatives, participation in international training and fellowship programmes, and the organisation of major events, such as the NAO-ECA Joint Seminar.

In parallel, the SMMs took several operationally consequential decisions in 2025, notably on human resources and capacity-building, including recruitment needs arising from retirements, approval of performance reviews and bonuses, and the prioritisation of resources to address audit workloads. The forum was also used to exercise oversight over high profile audits and sensitive engagements, ensuring that audit timing, sequencing and risk considerations were aligned at senior management level.

Organisational development in 2025

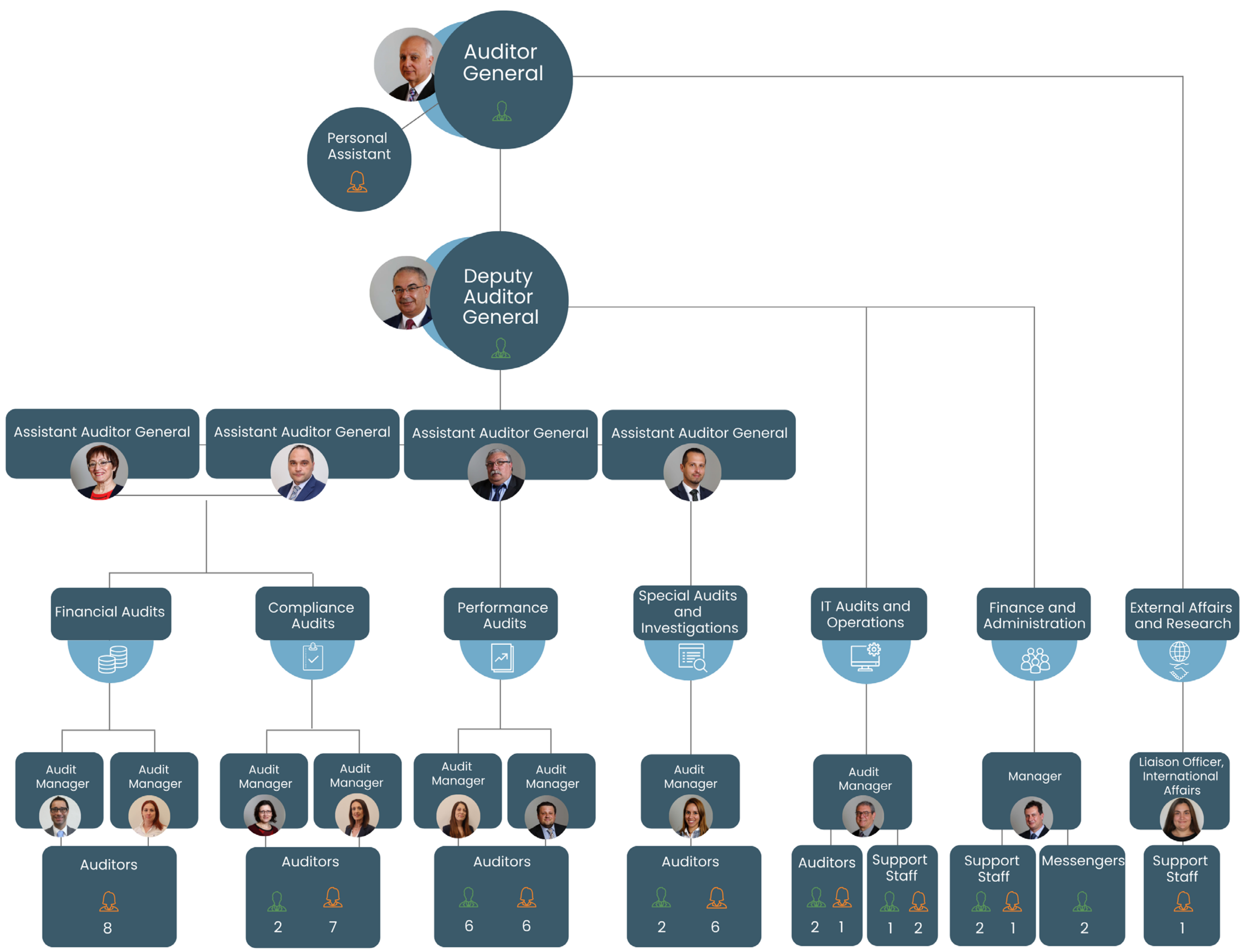
This section of the report provides an overview of the key organisational developments undertaken by the NAO in 2025, highlighting the initiatives and changes implemented to strengthen the Office's structure, capabilities and operational effectiveness. It reflects the NAO's continued commitment to evolve as a modern, resilient institution, aligned with the objectives set out in the NAO Strategy 2024–2028.

Significant changes in both senior and middle management are outlined, alongside broader organisational restructuring efforts aimed at enhancing the clarity, efficiency and specialisation of audit functions. In addition, it highlights the NAO's efforts in recruitment and retention, underscoring the importance of attracting and maintaining a skilled and motivated workforce.

Organisational chart

Figure 1 depicts the organisational structure of the NAO.

Figure 1: NAO organisational chart



Changes to senior and middle management

In 2025, there were significant changes to the senior management team and middle management. Brian Vella, External Affairs and Research Officer, who formed part of the senior management team, retired from the Office on 31 March. Stefano Manicolo, a new AAG, F&C Audits Section, was appointed on 28 April; Tanya Mercieca, his predecessor, accepted an extension to continue providing an adequate handover particularly in view of the publication of the Report by the Auditor General on Public Accounts for 2024 and the Report by the Auditor General on the Workings of Local Government for 2024, both issued by the F&C Audits Section. Orland Bonavia, Audit Manager, F&C Audits Section, resigned on 6 March. Three new audit managers were then appointed to F&C Audits Section: Christopher Micallef and Yvette Vella (both appointed on 1 July) and Maria Ferriggi (appointed on 14 July). Josephine Vella, Audit Manager, SA&I Section, retired from the Office on 31 August.

Strengthening of audit sections

The NAO continued to operationalise its organisational restructuring through the progressive strengthening and clearer differentiation of its audit disciplines. A key development in 2025 was the explicit separation of financial audits from compliance audits, with each stream increasingly managed, resourced and planned as a distinct audit function. This separation was reflected in the structuring of the F&C Audits Section, the differentiation of audit plans and the filling of management roles dedicated specifically to the respective audit disciplines, reinforcing professional specialisation and methodological clarity.

In parallel, performance audits, SA&I and IT audits continued to operate as distinct areas, supported by dedicated audit manuals and methodologies. Alongside these developments, strategic internal work in 2025 highlighted the need for stronger audit support functions, particularly in quality assurance, audit methodology, risk management and data analytics, laying the foundations for a more discipline-based, quality-driven audit model aligned with the NAO Strategy 2024–2028.

Recruitment and retention

The NAO remained committed to attracting, developing and retaining a highly competent and motivated workforce comprising both audit and administrative staff members. Recognising that its employees are central to the effective delivery of the Office's mandate, the NAO continued to invest in initiatives aimed at fostering an attractive, supportive and professional working environment.

The Office sought to position itself as an employer of choice by offering competitive remuneration packages and favourable working conditions that support both professional development and employee wellbeing. Flexible working arrangements, including the possibility of remote working where operationally feasible, continued to contribute positively to employee satisfaction, work-life balance and staff retention.

The NAO also continued to promote a professional and collaborative work environment founded on integrity, mutual respect and accountability. In this regard, the Office progressed with the drafting and strengthening of policies intended to reinforce ethical conduct and professional standards across all levels of the organisation. These included anti-harassment and anti-discrimination policies aimed at safeguarding a respectful, inclusive workplace culture.

In parallel, the Office continued to develop and implement internal policies and procedures that promote professionalism, objectivity and due care in the execution of audits and related assignments. These measures contributed to reinforcing a strong ethical culture within the organisation, while ensuring that staff members remain guided by the principles of independence, impartiality and professional excellence in the discharge of their duties.

The Office also recognised the importance of continuous learning and professional development in maintaining a skilled, adaptable workforce. To this end, employees were provided with ample training opportunities through participation in local and international seminars, workshops, conferences and specialised courses. These initiatives enabled staff members to strengthen their technical competencies, remain abreast of emerging developments and best practices within the auditing profession, and further enhance the quality and effectiveness of the Office's work.

Malta College of Arts, Science and Technology Freshers Week – Career Awareness Outreach

In its efforts to further recruit and subsequently retain staff, the NAO participated in the Malta College of Arts, Science and Technology Freshers Week, jointly hosting a stand with the Office of the Ombudsman and the Parliament of Malta from 6 to 8 October. The milestone marked a new chapter in the Office's public engagement efforts, as NAO representatives stepped beyond their traditional institutional setting to connect directly with students entering further and higher education, more specifically with students studying Business and Management, IT, Law and Accountancy.

NAO participation in the Malta College of Arts, Science and Technology Freshers Week from 6 to 8 October 2025

Over the course of the three days, hundreds of students visited the stand, with representatives on hand to explain the Office's mandate, its cycle of audit and the pathway through which reports are submitted to Parliament. The event generated significant interest in public sector careers and in the role of SAIs and marked a meaningful step in the NAO's ongoing efforts to connect with young people and position the Office as an employer of note within Malta's public sector landscape.

Meet the new recruits

The NAO requested its eleven new recruits to write their impressions on joining the Office and what motivated them to seek a career here. Six of these responded to the Office's request and their feedback is being reproduced below.

Karen Bonavia

I joined the NAO as a Senior Auditor in the F&C Audits Section in 2025. Given my background in the Financial Services Sector, I have long been interested in the work conducted by the NAO, particularly in view of its value and far-reaching impact. This role has complemented my educational qualifications and professional experience, aligned closely with my aspiration to work in auditing and broadened my insight into another aspect of the profession.

During the past year, the Office has provided diverse opportunities for continuous learning and for gaining a deeper understanding of the principles and practices underpinning public sector auditing at both the local and international levels. I have collaborated with highly competent, supportive colleagues, who consistently provided guidance, and I have been involved in a wide range of assignments that have strengthened my technical capabilities and enhanced my professional skills.

Abigail Callus

I joined the NAO in 2025, bringing with me an academic background in accountancy and experience in financial auditing. I graduated from the University of Malta with a Bachelor of Commerce in Accounting and Banking and Finance, and a Master of Accountancy. I am a Certified Public Accountant, hold a practising certificate in Auditing, and am a member of the Malta Institute of Accountants. Before joining the NAO, I worked at a leading global professional services firm, contributing to the external audits of various entities and gaining exposure to complex audit engagements.

I was motivated to join the NAO to broaden my expertise while supporting accountability and transparency in the public sector. Over the past year, I have worked on both compliance and financial audits, strengthening my understanding of public governance. I look forward to continuing to grow professionally and contributing to the Office's mandate.

Mikela Camilleri

My experience at the NAO started just over a year ago and I can say that it has been nothing short of fulfilling and rewarding. Following my attendance at the University of Malta, from which I graduated with a Bachelor of Commerce in Accountancy and Economics and a Master of Accountancy, I began working at a Big Four firm within the Assurance Department. My role primarily involved auditing wealth and asset management clients.

I was then motivated to apply for a position within the F&C Audits Section within the NAO since I was drawn to the opportunity to contribute my auditing proficiency to work that promotes public accountability and has a meaningful impact on public services. The supportive, collaborative working environment at the Office, where colleagues are approachable and insightful, has made it easier to adapt and motivates me to continue growing in my role while actively broadening my professional career.

Dr Mark Ellul

I have been with the Office since January 2025. My training is in law, complemented by further studies in security. Before joining, I worked in home affairs on legal and regulatory compliance, EU legislative negotiations and policy frameworks, focusing on police cooperation, cybersecurity and critical infrastructure.

I applied to join the Office because of its mandate and its role in safeguarding accountability and transparency within Malta's public entities. At the SA&I Section, I enjoy working on audits that expose me to a broad range of government activities, scrutinising the use of public resources against the public interest.

I am also looking forward to the Professional Education for Supreme Audit Institutions Auditors training to further develop my understanding of the auditor's mindset. I appreciated the opportunity to travel during my first year to attend an ethics seminar, as well as the encouragement to work with AI, which has become an essential tool in modern audit practice.

Sara Jayne Mizzi

I joined the NAO as a Senior Auditor in the Performance Audits Section in January 2025, bringing experience from the public sector in the regulation of social welfare services, as well as prior advisory consulting experience with a large professional services firm. My academic background is interdisciplinary, with Master's degrees of Business Administration and Social Policy, and I am currently pursuing a part-time Ph.D. in Social Policy alongside my full-time role.

I was drawn to the NAO role because of its strong reputation and saw it as an opportunity to build on my previous work in regulatory development by contributing to improvements in the delivery and effectiveness of the wider public service. Since joining, I have felt very welcome within both my immediate team and the wider organisation and have particularly valued the opportunity to contribute to meaningful work from an early stage, as well as to see audits I was involved in carried through to publication. I have also appreciated the early professional development opportunities I was given, including participation in an international workshop on data envelopment analysis.

Sergio Tartaglia

I joined the NAO in 2025 after 14 years with Malta's environment authority, where I worked across waste management policy, environmental data management and digital mapping. My experience ranged from drafting national policies and negotiating at EU and international level, to coordinating spatial and 3D mapping and designing Malta's first environmental geoportal. I also served as Malta's focal point on the European Environment Information and Observation Network, supporting the creation of a local community of environmental data experts.

I was motivated to join the NAO for the unique opportunity to apply my technical experience in data management and cross-cutting environmental themes to strengthen public accountability through evidence based audits. Since joining, I have seen firsthand the Office's commitment to integrity, professionalism and inclusivity, reflected in its collaborative and strategic Action Teams. Looking ahead, I hope to bring together my Geographic Information Systems (GIS) skills as a geographer and my long-standing passion for cinematography by exploring how visual storytelling can enhance the communication of audit findings.

People and capacity

This section of the report focuses on the NAO's commitment to develop its human capital and strengthen institutional capacity, recognising that a skilled, knowledgeable and adaptable workforce is essential to maintaining a high standard of audit quality and responding to the increasing complexity of the public sector environment.

The range of initiatives undertaken in 2025 to enhance staff competencies is outlined, with particular emphasis on structured training, continuous professional development and targeted capacity-building activities. In addition, the NAO's engagement in international cooperation is highlighted and funding opportunities aimed at supporting knowledge exchange and institutional development. Wider aspects of workforce management, including staff relations, workplace culture and initiatives that contribute to employee wellbeing and organisational cohesion are addressed.

Training and development

This section of the report outlines in more detail training, development and capacity-building initiatives.

Training and capacity-building

During 2025, the NAO undertook a number of documented training and capacity building initiatives aligned with the NAO Strategy 2024–2028. Internally, work progressed on the development of a structured staff training and induction framework, including the preparation of training materials and a training needs assessment based on performance appraisal outcomes and the NAO competency framework.

At international level, staff participated in targeted capacity building activities, organised by INTOSAI Development Initiative (IDI), as well as European Organisation of Supreme Audit Institutions (EUROSAI) and EU CC working groups, which strengthened technical expertise and supported institutional development.

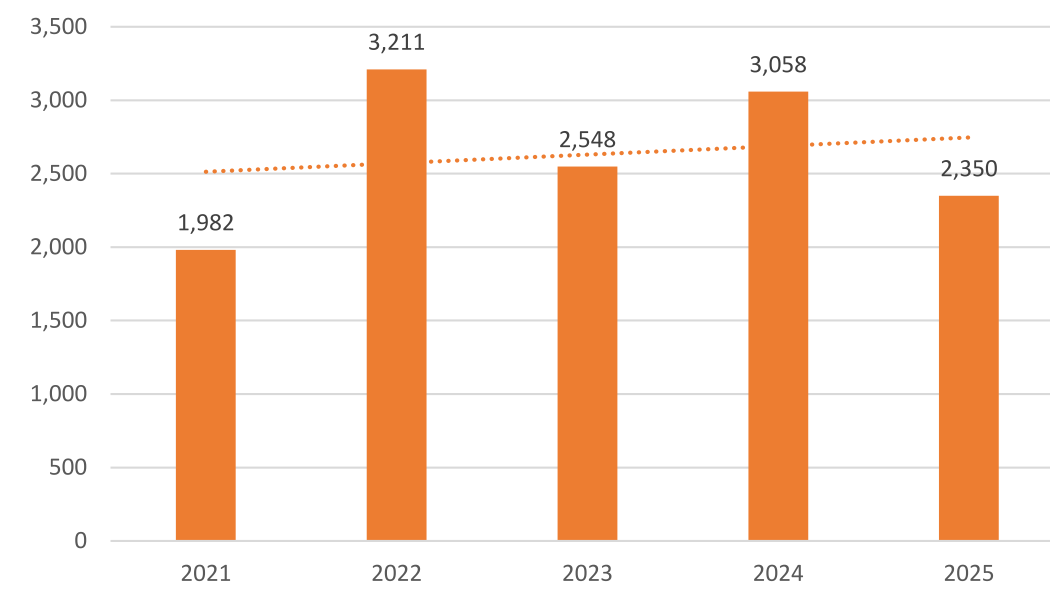
Staff also attended a dedicated session delivered by representatives of the ECA providing valuable insights into the ECA's institutional role, audit and operational practices, international cooperation activities and the 2025 EU CC theme of EU competitiveness. The event offered staff a unique opportunity to enhance their understanding of European public sector auditing and current developments within the EU audit community.

Senior management participated in high-level conferences, including the OECD Meeting for AGs, during which Charles Deguara, AG, participated in a panel discussion, the XXV International Congress of Supreme Audit Institutions (INCOSAI) and the IDI Mastery Leadership Programme, thus contributing to enhanced organisational knowledge and reinforcing the NAO's capacity to audit complex cross cutting policy areas.

Training hours delivered

Figure 2 illustrates the total auditor hours of training over the period 2021–2025 and reflects a consistently strong commitment to staff development, albeit with some year on year variation.

Figure 2: Auditor training hours



Auditor training hours increased markedly from 1,982 in 2021 to a peak of 3,211 in 2022, signalling a significant scaling up of capacity building efforts. This was followed by a moderation in 2023 (2,548 hours) and a rebound in 2024 (3,058 hours), indicating that training delivery has been responsive to evolving organisational priorities and operational demands.

In 2025, total training hours declined to 2,350, yet remained broadly in line with earlier years, demonstrating that the Office sustained a substantial level of training activity despite the reduction in volume.

It should be noted that, in general, the Office adopts a targeted and needs based approach to training that is aimed at maximising impact and aligning learning with organisational objectives. This is reflected in 2025 in the increased emphasis placed on structured and strategic training, including the development of a formal training and induction framework, and the introduction of a training needs assessment linked to performance appraisals and the NAO competency framework.

A training course on compliance audit documentation for 37 NAO auditors accounted for a significant proportion of the total training hours in 2025, highlighting a focused effort to strengthen core audit competencies and enhance the quality and consistency of audit work. This course, held from 7 to 10 April, and formally titled *Audit Documentation for Compliance Auditing*, was delivered by Vani Sriram, former Deputy Comptroller and AG of SAI India, and a former member of the IDI Professional Education for Supreme Audit Institutions Compliance Audit Subcommittee. The course covered four key areas: the fundamentals of compliance auditing, the role of effective documentation in supporting audit work, documentation requirements throughout the different stages of an audit and quality assurance practices for audit documentation.

Alignment with the NAO Strategy 2024–2028

Training and development at the NAO are not merely supportive activities but are embedded as a central component of the Office's strategy for 2024–2028. The initiatives undertaken demonstrate a clear, deliberate alignment with the strategic objective of enhancing audit impact since they directly strengthen institutional capacity, improve audit quality and build the specialised expertise required to address increasingly complex auditing environments. Through structured, needs-based training, continuous professional development and active participation in international capacity-building initiatives, the NAO ensures that its workforce remains technically proficient, adaptable and aligned with evolving methodological and technological demands.

At the same time, these efforts contribute to broader strategic goals, such as fostering collaboration, enhancing stakeholder engagement and mitigating risks related to insufficient staff expertise. By integrating training with strategic planning, funding opportunities and organisational priorities, the NAO ensures that learning initiatives translate into tangible improvements in audit performance and effectiveness. As a result, training and development function as key strategic enablers, underpinning the NAO's ability to deliver high-quality, impactful audits and to fulfil its mission of promoting accountability, transparency and good governance in the public sector.

Signing of NAO Collective Agreement 2025–2030

The previous NAO Collective Agreement, covering the period 2017–2024, expired at the end of 2024. As a result, during 2025, the NAO dedicated significant effort to finalising a new Collective Agreement covering the period 2025–2030.

The negotiation process was marked by transparency, mutual respect and constructive dialogue between management and the employees' union. Both parties demonstrated a shared commitment to strengthening the employment framework and ensuring that the revised agreement would meet the evolving needs of the organisation and its workforce.

Signing of NAO Collective Agreement 2025-2030 by the NAO and the employees' union on 14 November 2025

Throughout the discussions, the NAO maintained a clear focus on recognising and valuing the professionalism, loyalty and dedication consistently demonstrated by its staff. Management approached the negotiations with the objective of establishing a balanced, forward-looking remuneration framework that appropriately reflects employees' contributions.

Particular emphasis was placed on designing a package that not only enhances working conditions and remuneration but also supports the long-term resilience, sustainability and operational effectiveness of the organisation. The resulting agreement reflects a considered approach to aligning staff welfare with institutional priorities.

The new NAO Collective Agreement for 2025–2030 was formally signed by management and the employees' union on 14 November, marking the successful conclusion of the negotiation process.

Social activities

NAO Social Committee – 2025 year in review

The NAO Social Committee once again delivered a full and varied programme of staff events in 2025, building on its mission to foster collegiality, staff wellbeing and a culture of giving. Twelve distinct activities were held, from cultural outings and themed lunches to charity drives and an international volunteering project – all supported enthusiastically by colleagues across the organisation. These events undoubtedly enhance the teambuilding aspect within the Office giving staff the opportunity to spend some quality time in a more relaxed and social environment.

Corporate social responsibility

Fundraising and charitable giving ran as a constant thread through the year's activities. Key contributions included:

a. €1,125 donated by 43 staff members to the Malta Community Chest Fund via December salary deductions, and €300 raised by the Committee through fundraising events, bringing the total Malta Community Chest Fund contribution to €1,425.

b. €746 raised through the Pasta Day and direct donations for the Brazil Project, enabling the purchase of sports equipment, arts and crafts materials, board games, a first aid kit, speakers and dance classes for children at the Salesian mission in Brazil.

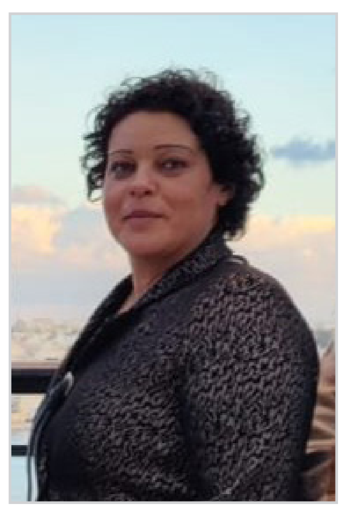
c. Blood donation drives and seasonal sweet and bake sales supporting local causes, including Movember and Pink October.

Looking ahead

The Committee extends its warmest thanks to all colleagues who participated in, contributed to and supported the year's programme. It is the active engagement of staff that makes every event a success. The Committee looks forward to continuing its programme of meaningful, enjoyable and community-minded events in 2026.

Figure 3: NAO Social Committee – 2025 year in review

In memoriam – Esmeralda Galea Camilleri



On 15 February 2026, the whole Office was shocked to hear that a colleague and friend Esmeralda Galea Camilleri passed away at the age of 38. Ms Galea Camilleri had been working in the Performance Audits Section at the NAO for just over two years. During this time, she demonstrated a strong sense of vocation, integrity and commitment to public service. She believed firmly in the role and mission of the Office, and carried out her responsibilities with professionalism, thoughtfulness and dedication.

Ms Galea Camilleri was a highly respected colleague, always willing to lend a helping hand or offer a kind, encouraging word. Her presence was valued not only for her professional contribution but also for her generosity of spirit and strong sense of collegiality.

Beyond her work at the Office, Ms Galea Camilleri was an accomplished harp player, pursuing her musical discipline with dedication and distinction. She also strongly believed in continuous academic and personal development, viewing lifelong learning as an essential foundation both for professional excellence and personal growth.

She will be remembered for her principles, her talents and the values she consistently upheld. Always a born optimist, with a nice smile evidencing her positive attitude that one will never forget. The Office extends its sincere condolences to her family, friends and colleagues.

Funded initiative and permanent working group on funding

As part of its ongoing commitment to institutional strengthening and the effective implementation of its strategic objectives, the NAO is actively pursuing external funding aimed at providing technical assistance and capacity-building opportunities. These initiatives were aimed at enhancing audit quality, strengthening organisational capabilities, supporting staff development, and promoting innovation and international cooperation. Particular emphasis was placed on initiatives that contribute to the modernisation of the Office's operational framework and the reinforcement of good governance, transparency and public accountability.

Improving external audit quality – Technical Support Instrument (25MT24)

Between May 2019 and December 2021, the NAO carried out a comprehensive self-assessment based on the INTOSAI SAI PMF as part of its NAO Strategy 2019–2023. The SAI PMF assessment identified a number of institutional and operational challenges requiring structured, sustained reform.

In response, and with the aim of strengthening credibility, transparency and effectiveness in promoting good governance and public accountability, the NAO secured EU funding under the TSI for Project 25MT24 – Improving External Audit Quality. The project is being implemented with the support and guidance of the OECD.

The project focuses on four main areas: an assessment and enhancement of the NAO's quality control framework; the establishment of a dedicated quality assurance function; the creation of an audit support function to strengthen methodological consistency across audit work; and the development of a Digitalisation and IT Strategy to modernise systems and promote the use of data analytics.

The NAO finalised the project's detailed implementation plan in 2025, in coordination with the European Commission and the OECD. The project was formally launched through a kick-off and fact-finding mission in September 2025. An initial review and assessment of the Office's governance and operational framework was undertaken, including the extent of compliance with ISSAIs. Progress monitoring and reporting activities covering the 2025 reporting period were also carried out.

Work on this project is ongoing, with NAO senior management remaining fully committed to its successful implementation and to strengthening the Office's capacity to deliver high-quality, consistent and impactful audits.

Permanent working group on funding

Following the compilation of a comprehensive funds register in 2024, the working group members undertook a structured review of potential funding and capacity building opportunities to support the implementation of the Office's strategic objectives. This work was carried out with the approval and oversight of senior management. As part of this process, engagement was initiated with the Ministry for European Funds and the Implementation of the Electoral Manifesto to explore available European funding mechanisms relevant to the Office's planned initiatives.

Consultations were held with Servizzi Ewropej Malta to assess the suitability of EU funded programmes to support staff development, organisational learning and knowledge exchange. Through these discussions, Servizzi Ewropej Malta identified the Erasmus+ Programme as a suitable funding avenue, particularly in relation to staff mobility and international cooperation. A number of follow up meetings were held to clarify eligibility criteria, programme priorities and application requirements.

With the active involvement of the Office's Liaison Officer, International Affairs, and following a consultation process with the Strategy Action Team Leaders, a draft funding application was prepared. The proposed actions were deliberately aligned with key initiatives emerging from the Office's Strategy, ensuring that the envisaged activities would directly contribute to strategic capacity-building and long-term organisational development.

In addition, liaison was undertaken with the Institute for the Public Services to identify potential training courses relevant to the Office's strategic and professional development needs. These discussions focused on training in relation to EU funds.

Contact was established with other entities to explore complementary avenues for cooperation and potential support mechanisms that could further strengthen the Office's international engagement and professional development initiatives.

Strategy 2024–2028: Progress in 2025

Strategy overview

NAO Strategy 2024-2028: Enhancing Audit Impact

Strategic goals and sub-goals

The NAO Strategy 2024–2028 establishes the medium-term direction of the Office through a structured framework comprising five strategic goals and several related sub-goals intended to support their implementation. The strategy seeks to strengthen the Office's institutional capacity, enhance the impact and relevance of audit work, improve communication and stakeholder engagement, strengthen public visibility and support the integration of modern methodologies and technologies within audit processes.

The first strategic goal, *Strengthening Institutional Capacity*, focuses on reinforcing the organisational foundations necessary for the Office to continue operating effectively, independently and professionally. The related sub-goals address areas, such as adherence to ISSAIs, strengthening the ethical framework, staff training and development, as well as the streamlining of internal audit processes and methodologies. These sub-goals are intended to ensure that the Office continues to invest in its people and further develops its governance structures, internal procedures and methodologies in line with international standards, while fostering a culture of continuous improvement and organisational resilience.

The second strategic goal, *Enhancing Audit Impact*, reflects the Office's commitment to ensure audit work continues to contribute meaningfully to accountability, transparency and improved public administration. The related sub-goals focus on strengthening reporting practices, improving the clarity and usefulness of audit recommendations, and exploring new audit products and activities capable of addressing emerging risks, stakeholder expectations and developments within the public sector environment. This strategic goal also seeks to reinforce the value-added dimension of the Office's work by supporting more accessible, relevant and impactful audit outputs.

The third strategic goal, *Communication with Stakeholders*, recognises the importance of effective engagement and collaboration with auditees, oversight bodies and other stakeholders. The associated sub-goals include the establishment of frameworks for information sharing and cooperation, as well as the introduction of mechanisms aimed at strengthening communication with auditees throughout the audit process. Through these initiatives, the Office seeks to promote greater transparency, improve mutual understanding, facilitate access to information and enhance the effectiveness of interactions with stakeholders.

The fourth strategic goal, *Optimising the NAO's Profile and Public Visibility*, focuses on strengthening the Office's external presence and improving the public's awareness of its role and contribution. The sub-goals supporting this objective include the identification of outreach and engagement activities, as well as initiatives aimed at improving the Office's online presence and communication practices. These initiatives are intended to support greater accessibility of audit outputs, strengthen stakeholder outreach, and promote a more consistent and recognisable institutional identity.

The fifth strategic goal, *Advancing Methodology and Technology*, reflects the Office's recognition of the increasing importance of innovation, digitalisation and emerging technologies within the audit profession. The related sub-goals focus on the integration of AI data analytics and other technological tools into audit work, together with collaboration and knowledge sharing with external experts and institutions. These initiatives are intended to strengthen the Office's technological capabilities, support more efficient, data-informed audit approaches, and ensure that audit methodologies continue to evolve in line with international developments and best practices.

The implementation of the strategic goals and sub-goals is supported through a structured framework of dedicated Action Teams composed of officials from different sections and professional backgrounds across the Office. Each Action Team is assigned responsibility for specific strategic areas and objectives, supported by defined tasks, deliverables and implementation timelines. This approach seeks to encourage collaboration across sections, strengthen organisational ownership of the strategy and support the effective translation of strategic objectives into practical initiatives and measurable outcomes.

During 2024, the Office established Action Team 1 – *Adherence to ISSAIs*, Action Team 2 – *Strengthening the ethical framework*, Action Team 3 – *Staff training and development* and Action Team 6 – *Explore new products and activities*, with these teams focusing on key institutional priorities linked to professional standards, ethics, capacity-building and innovation.

In 2025, the strategic implementation framework was further expanded through the establishment of Action Team 7 – *Set up the framework for information sharing*, Action Team 10 – *Identify ways and means to improve online presence* and Action Team 11 – *Integration of AI, data analytics and other technologies in audit work*. These additional teams reflect the Office's increasing focus on stakeholder collaboration, communication and digital transformation.

Progress achieved in 2025 per goal

Action Team 1 – *Adherence to International Standards of Supreme Audit Institutions*

Since there appeared to be some overlaps between the areas of operation of Action Team 1 and those of the OECD, who are assisting in the implementation of the TSI Project – *Improving External Audit Quality*, the former's primary priority in 2025 was to liaise with the latter to ensure the avoidance of duplicate work and to agree on how the two teams can complement each other's efforts. As a result, it was agreed that the OECD team will focus more on quality aspects at a corporate and cross-cutting level, while Action Team 1 will dedicate its efforts to enhancing the quality of the NAO's core work, and therefore on the technical level.

As a result, Action Team 1's attention shifted to the NAO audit manuals and the dire need for these to be revamped. While each audit section in the NAO is responsible for the development and maintenance of its own audit manual, members of Action Team 1 are imbedded in the sections, contributing to this process according to their respective areas of specialisation. In so doing, an element of coordination was introduced from the start, which will facilitate the eventual homogeneity of these manuals and their operationalisation.

Action Team 2 – *Strengthening the ethical framework*

In 2025, Action Team 2 continued strengthening the NAO's ethical framework by refining the revised Code of Ethics, incorporating feedback from senior management to ensure alignment with international standards and the NAO's operational context. The Team also finalised a suite of supporting policies and guidance documents, which are to be submitted for management review and approval. These include the Gifts and Hospitality Register guidance, Staff Rotation Policy and Staff Assistance Policy. Work on the Internal Whistleblowing Policy remained ongoing at year-end.

Action Team 3 – *Staff training and development*

This Action Team was tasked with developing an induction programme and supporting materials for new recruits, providing an overview of the NAO's culture, policies, procedures, governance arrangements and job-specific requirements. During 2025, the Team focused on developing and quality-assuring the training materials, in consultation with senior management, to support effective and consistent delivery of the programme.

The Team also prepared a training needs assessment report, consolidating training requirements identified through staff appraisals, discussions with staff, the competency framework and the PMF exercise. In addition, the Team met with the OECD as part of the TSI Project to present an overview of its objectives, activities and progress.

Action Team 6 – *Explore new products and activities*

Following the Action Team's presentation to senior management, four innovative initiatives were evaluated, with the Recommendations Tracker emerging as the preferred option. The Action Team subsequently developed a detailed proposal, which received formal approval from senior management, and engaged with the Governance Action Directorate within the Office of the Prime Minister to ensure alignment and establish an information-sharing framework for monitoring progress on audit recommendations.

Concurrently, the Action Team collaborated with Action Team 7 to establish an information sharing agreement between the NAO and the Governance Action Directorate, formalising the exchange of feedback from auditees on progress related to recommendations. The Team also oversaw the development of the Tracker software, coordinated with internal stakeholders to support implementation, and presented the initiative at the monthly Public Service forum, securing the support of the Principal Permanent Secretary and Permanent Secretaries.

Action Team 7 – *Set up the framework for information sharing*

This Action Team was tasked with identifying key stakeholders relevant to the Office's mandate and strategic objectives and establishing formal cooperation and information-sharing arrangements. During 2025, the Team consulted with AAGs and managers across the Office to identify information-sharing needs, challenges and opportunities for enhanced collaboration with external entities.

Following this assessment, the Team prepared recommendations for senior management on the prioritisation of entities with which formal agreements would be most beneficial. The Team subsequently drafted an MoC with MPF, which was signed in December 2025, formalising collaboration and information exchange between the two organisations. In addition, the Team assisted in drafting an agreement with the Governance Action Directorate to facilitate information sharing on the implementation of NAO recommendations.

Action Team 10 – *Identify ways and means to improve online presence*

During 2025, Action Team 10 advanced several initiatives aimed at strengthening the NAO's brand and communication. Work continued on the development of a brand manual to support a consistent visual identity and messaging approach across the Office, including the design of a new logo and updated stationery developed by the Publishing Unit at the NAO. In parallel, social media protocols are being developed to provide guidance to NAO officials and management on the appropriate and effective use of social media when communicating audit-related content.

The Team also completed research into potential enhancements to the NAO website, including improved filtering functionality and navigation features, informed by feedback from staff. Collectively, these initiatives are intended to strengthen the NAO's image, promote a consistent brand identity and improve stakeholder access to audit information.

Action Team 11 – *Integration of AI, data analytics and other technologies in audit work*

Established in 2025, this Action Team was tasked with advancing the integration of AI, data analytics and emerging technologies into audit work and NAO processes. During its first year, the Team assessed data-related challenges across the Office through consultations with managers, identifying issues relating to data collection, quality, standardisation and the continued reliance on manual processes. Based on these findings, the Team prioritised initiatives to strengthen internal capabilities, including guidance on the use of analytical tools and the exploration of innovative approaches to data acquisition and analysis.

The feasibility of web scraping was assessed through practical testing and engagement with external stakeholders. A meeting with NSO provided insights into technical, legal and operational considerations, including data access permissions, limitations of web scraping in certain contexts and alternative solutions, such as syndication-based feeds and structured data sources. Internal research and testing in this area continued through Team members with relevant programming expertise.

The Team also examined the governance and safe use of emerging technologies, particularly generative AI, and engaged with internal and external stakeholders on appropriate safeguards and future solutions. In addition, it contributed to the NAO's digital transformation agenda through engagement with the TSI project and developed a proposal to expand internal capacity in data analytics and AI through the engagement of students under the Institute for the Public Services Traineeship Scheme. The Team also initiated longer-term capability development through approved proposals relating to GIS and their potential integration into audit methodologies.

Audit work and results

As Malta's SAI, the NAO is constitutionally mandated to undertake external public sector auditing. In accordance with ISSAI 100, public sector auditing constitutes a systematic and independent process through which evidence is objectively obtained and evaluated to determine whether information, activities, operations or actual circumstances conform to established criteria, standards and regulatory requirements.

Through the discharge of this mandate, the NAO provides Parliament, oversight and governance bodies, and the general public, independent, objective and professional assurance on the stewardship, regularity, performance and accountability of public administration. Public sector auditing further contributes towards strengthening transparency and good governance by assessing whether public funds are received, managed and utilised in accordance with applicable legislation, regulations and principles of sound financial management, and whether these are properly accounted for and reported.

In fulfilling its functions, the NAO conducts a range of audit engagements, namely:

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

The following sections provide an overview of the principal work undertaken in 2025, covering section overview, results, other developments and innovations, challenges encountered, impact of audit work and outlook, across the F&C Audits Section, the Performance Audits Section, the SA&I Section, and the IT Audits Section.

Financial and Compliance Audits Section

Section overview

The F&C Audits Section is responsible for carrying out external public sector financial and compliance audits. Financial audits are systematic examinations of a public entity's financial records and transactions, aiming to verify their accuracy, completeness and adherence to relevant accounting standards and regulations. Compliance audits, on the other hand, focus on evaluating a public entity's adherence to laws, regulations, policies and procedures governing its operations.

Key Section results for 2025

In 2025, the F&C Audits Section published the following reports:

- Report by the Auditor General – Public Accounts 2024
- Report by the Auditor General on the Workings of Local Government 2024
- Follow-up Audit Reports by the National Audit Office 2025 – Volume 1

The reports presented an in-depth analysis of financial and compliance audit issues, making recommendations aimed at addressing weaknesses and shortcomings, as well as enhancing good governance across the public sector.

In addition, the Section carried out five mandatory financial audits of public entities, as well as the certification of the Government's Annual Financial Statements.

Report on the Public Accounts

The publication on the Public Accounts for 2024 comprised 17 audit reports on the operations of the public service and public sector entities across 10 Ministries. This Annual Audit Report also included an analysis of the Financial Report 2024, published by the Treasury, as well as an overview of the Statements of Arrears of Revenue for the same year, as submitted to the Treasury by the respective public sector entities.

The publication presented over 240 recommendations aimed to promote best practices within government operations.

Among the key findings identified were:

a. weak internal controls and insufficient verification before payments were effected;
b. bypassing of Public Procurement Regulations;
c. absence of formal documentation, hindering verification and audit trail; and
d. a lack of standard operating procedures.

Report on the workings of Local Government

In 2025, the NAO set up a dedicated Local Government Unit to improve oversight and coordination of audit activities across local and regional councils. The Unit's role is to ensure that these audits are consistent, effective and focused on improving financial management and governance practices.

Under its legal mandate, the NAO conducts annual financial audits of all local and regional councils, as well as that of the Local Councils Association. These audits examine the management of public funds and hold officials accountable for the stewardship of these funds. Private audit firms, known as Local Government Auditors, carry out these audits on behalf of the AG in accordance with the Local Government (Audit) Regulations (S.L. 363.02) and established auditing procedures.

Ensuring the timely submission of audited financial statements remains a significant challenge. Although these statements were due by the end of June 2025, and despite continuous follow-up by the NAO and the Local Government Division, nine councils did not submit their audited financial statements by the end of October 2025, the ultimate deadline set for the analysis of the respective financial statements prior to the conclusion and timely publication of the *Report by the Auditor General on the workings of Local Government 2024*. This Office deems that this situation is unacceptable. Persistent delays not only tarnish the Local Government's accountability but risk undermining the audit's added value and cannot effectively support timely decision-making.

Alongside financial audits of all local and regional councils, the NAO performs compliance audits, selected on a sample basis. As specified in the 2025 audit plan, compliance audits were planned to review the operations for Financial Year 2024 of four local councils – Mellieħa, Nadur, Qormi and Xgħajra. Three of these audits were completed successfully, with the respective findings included in the *Report by the Auditor General on the Workings of Local Government 2024*.

However, the compliance audit on Qormi Local Council could not be carried out as originally planned since the post of Executive Secretary remained vacant for over a year, during which period the council's administration was overseen by the Deputy Executive Secretary. A compliance audit on this local council covering both Financial Years 2024 and 2025 is being conducted in 2026.

The audits identified several limitations, including lack of compliance with procurement regulations, weak internal controls and insufficient asset management. Excessive spending on the organisation of events also raised concerns about the responsible use of public funds. These findings highlight the need for stronger oversight, timely corrective action and enhanced staff training to improve accountability and controls.

Follow-up Audit Reports

The publication of this report reflects the importance of having a reliable follow-up mechanism in place, which evaluates the level of the implementation of recommendations by auditees. The results of this analysis were compiled in the first volume of Follow-up Audit Reports 2025, which featured the degree of implementation of 10 past financial and compliance audits carried out on the following:

- Tourism Zones Regeneration Agency
- Revenue by Local Councils
- Widows' Pensions
- Commission for the Rights of Persons with Disability
- Ministry for Gozo and Planning
- Electric Vehicle Charging Pillars
- Malta Tax and Customs Administration – Customs
- National Literacy Agency
- Court Services Agency
- Transport Malta

The 2025 follow-up evaluation shows that practically 80% of the recommendations analysed by the F&C Audits Section were fully or partly implemented or were in the process of being implemented by the respective entities.

Mandatory financial audits and certification work

The F&C Audits Section continued to fulfil its statutory responsibilities through the execution of mandatory financial audits across five public entities. These financial audits aimed at providing independent assurance on the reliability and fairness of the financial statements prepared by the respective entities, as well as assessing compliance with the applicable financial reporting and regulatory frameworks.

The audits were conducted in accordance with applicable auditing standards and established audit methodologies, with particular focus on evaluating internal controls, testing financial transactions and balances, and assessing the adequacy of disclosures within the financial statements. The work undertaken also contributed to promoting accountability, transparency and sound financial governance within the public sector.

The Section was also responsible for the certification of the Government's Annual Financial Statements, in accordance with the Office's constitutional and statutory obligations. This exercise primarily involved verifying that the Annual Financial Statements were compiled on the basis of the information recorded in the government's central accounting system and that the amounts presented were consistent with the underlying accounting records.

Other developments and innovations

The F&C Audits Section undertook a number of internal initiatives aimed, among others, at updating the audit procedures already in place, and improving the quality and relevance of the reports issued by the Section.

During the year, a private auditing firm conducted a comprehensive review of the existing F&C Audit Manual to identify any methodological gaps and ensure alignment with ISSAI 4000 and best practices. This exercise will eventually lead to the updating of this manual.

The Section also started an internal restructuring process aimed at establishing a dedicated unit focusing specifically on financial audits. This new unit will enhance the Section's capacity to undertake financial audit engagements across the broader public sector, should the need arise.

In April 2025, officers from the F&C Audits Section as well as a few auditors from other NAO Sections, participated in a training programme on *Audit Documentation for Compliance Auditing*, in line with ISSAI 4000. Further details on this course are to be found under title *Training hours delivered*.

Participation in international activities

In June 2025, an officer from the Section participated in the SAI PMF Advanced Workshop in Istanbul. The event brought together 26 participants from SAIs across Europe with the goal of deepening and enhancing capabilities in the application of the SAI PMF.

The workshop aimed to:

a. enhance technical proficiency in conducting and supporting SAI PMF assessments;
b. understand the practical uses of SAI PMF results for institutional development, strategic planning and performance improvement;
c. position the officer as an internal resource in the NAO to support any future SAI PMF-related initiatives; and
d. learn from the experiences of other SAIs in both conducting assessments and using results for strategic impact.

In September 2025, another officer from the Section attended the EU CC Working Group on Value Added Tax (VAT) Plenary Meeting, held in Budapest.

Topics discussed during this meeting included digital reporting systems, combating VAT fraud, closing the VAT gap across the EU and key legislative changes in Hungary, including eReceipt Regulations and reverse charge extension.

Challenge encountered

A key challenge encountered during the conduct of several audits was the delayed submission of information required for audit purposes, which, in some cases, prolonged the completion of the audit process.

Impact of audit work

The financial and compliance audits carried out in 2025, which reviewed the management of public funds during the previous financial year, had a significant impact on improving accountability and financial discipline in the public sector. These audits assessed whether public institutions operated in compliance with legal and regulatory requirements, and whether funds were used for their intended purposes.

In response to the highlighted weak internal controls and lack of adherence to procurement regulations, several entities took immediate corrective action and strengthened oversight mechanisms. These audits, together with the follow-up exercise, continued to foster ongoing improvement in the operations of government entities.

Outlook

During 2026, the F&C Audits Section will continue to build on the initiatives undertaken in 2025, by updating the existing audit procedures to further enhance the quality of the reports issued by the Section.

The Section will also continue to contribute insights in the project being funded through the TSI Programme. By means of this EU-funded initiative, the NAO aims to further strengthen its audit quality framework and enhance methodology with a view to developing a more effective audit system that promotes greater accountability, efficiency and responsiveness in the public service and/or sector.

As in the previous years, officers from the F&C Audits Section participated in the various Action Teams established to support the implementation of NAO Strategy 2024–2028.

Performance Audits Section

Section overview

The NAO's Performance Audits Section plays a central role in enhancing public sector accountability by assessing whether government policies, programmes and entities operate with due regard to economy, efficiency and effectiveness.

Its remit includes the evaluation of governance arrangements, policy implementation, resource utilisation and performance monitoring systems, often at a strategic or system-wide level. Guided by a risk-based audit planning approach, the Section prioritises areas of significant public expenditure, elevated risk and public interest, frequently addressing cross-cutting and multi-entity initiatives, as reflected in its published reports.

Strategically, the Section provides independent, evidence-based insights into how public resources translate into outputs, outcomes and longer-term impacts. By identifying systemic weaknesses and opportunities for improvement, performance audits support informed decision-making while respecting government policy choices, strengthen governance arrangements, and contribute to improved transparency and effectiveness across the public administration.

The Section is also actively involved in international initiatives under the INTOSAI and EUROSAI frameworks, as well as bilateral cooperation with other SAIs.

Key Section results for 2025

The key results achieved included:

a. Delivered system-wide performance audits addressing high-risk and high impact policy areas through the publication of five performance audit reports. These were:

   - Climate Change Adaptation – Evaluating Malta's efforts relating to Flooding and Sea Level Rise
   - An Assessment on the Inspections Coordination System
   - Joint Audit by the Italian Corte dei Conti and Malta's National Audit Office on the Interreg VA Italy Malta Programme
   - A review of Malta's Climate Action using the ClimateScanner framework
   - Home-Based Medical and Clinical Services for the Elderly

b. Another completed audit report, titled *A Strategic Evaluation of Malta's Smart Specialisation Strategy for Research and Innovation*, was signed by the AG in December 2025 and published in January 2026. A publication, *Follow-up Audit Reports by the National Audit Office – 2025 Volume II*, containing the results of three follow-up audits by the Performance Audits Section, was completed and signed by the AG in December 2025 and published in February 2026.

c. A primary focus on the health, economic affairs, and environment and climate change-related sectors. The audit reports completed in 2025 generated 51 actionable recommendations, aimed at addressing systemic and coordination weaknesses across government, while follow-up reports assessed progress in implementing 34 recommendations from performance audits published in previous years.

d. Actively participated in the Global Cooperative Audit of Climate Change Adaptation Actions (CCAAs), a joint initiative led by the IDI and INTOSAI WGEA. Fifty-four SAIs from around the world took part in this global initiative. As part of this initiative, in June 2025, this Office published the performance audit, *Climate Change Adaptation – Evaluating Malta's efforts relating to Flooding and Sea Level Rise*. Key findings from this report featured as a case study in the CCAAs global publication.

e. Improved audit quality and methodological consistency by making progress on the revision of the Performance Audit Manual, in line with the ISSAIs and by actively contributing to international performance audit standard setting bodies, including INTOSAI's Performance Audit Standards Committee, as well as internal Action Teams supporting the NAO Strategy 2024–2028.

f. Invested in professional capacity and leadership development through staff participation in local and international training initiatives, leadership programmes and technical working groups, supporting the sustainability, quality and impact of the Section's audit work.

g. Advanced international cooperation and audit credibility through participation in joint, cooperative and parallel audits, including the Interreg Italy-Malta joint audit, ongoing cooperative work on tax revenue with the State Audit Office of North Macedonia and engagement in a multi-country audit on ageing populations.

Other developments and innovations

The Performance Audits Section sustained its efforts to introduce new audit approaches, tools and methodologies. These included:

a. Introduction and piloting of enhanced audit control and quality assurance tools, including the development and testing of an Audit Control Document to strengthen internal quality control, audit trail clarity and consistency across performance audits. This initiative attracted interest at an international level and is scheduled for further dissemination.

b. Expanded use of system-wide and multi-entity audit methodologies, allowing complex policy areas to be examined through cross-entity analysis and comparative assessment, strengthening the robustness and strategic relevance of audit conclusions.

c. Integrated international audit frameworks into national practice, including the application of INTOSAI-led cooperative and parallel audit methodologies and thematic tools, such as ClimateScanner, enhancing comparability and international alignment of audit work.

d. Enhanced benchmarking and comparative analysis, enabled by participation in parallel audits and international working groups, facilitating identification of good practices and shared challenges across jurisdictions.

e. Strengthened knowledge transfer and strategic learning, through contributions to international publications, technical papers and working groups, ensuring that lessons from audit work informed both internal methodology development and international professional discourse.

Challenges encountered

Among the technical, operational and logistical challenges the Performance Audits Section faced were:

a. Resource intensity of complex, multi-entity audits, as the growing use of system-wide, cooperative and international audits increased demands on staff time and coordination, resulting in resource pressures and, in some cases, knock-on effects on delivery timelines.

b. Data limitations and fragmented information systems at auditee level, with audit teams frequently encountering incomplete, poorly structured or non-disaggregated data, limiting the extent to which certain audit questions could be fully addressed and necessitating the adaptation of audit methodologies to triangulate evidence from multiple sources.

c. Delays arising from auditee engagement mainly related to the late provision of documentation. In some cases, these situations arose despite repeated follow-ups by audit teams.

Impact of audit work

Beyond the impacts arising from individual audit assignments, the Section's work delivered the following strategic outcomes:

a. Strengthened accountability across government systems, through system-wide findings and structured follow-up reviews, enabling Parliament to assess progress in implementing recommendations and holding entities accountable for corrective action.

b. Enhanced transparency and parliamentary oversight in high-risk areas, as audit reporting increased visibility over complex, high-impact policy areas, including health, climate change, and national and EU-funded programmes. Joint and cooperative audits further strengthened parliamentary scrutiny of cross-border initiatives affecting Malta's interests. The Section also delivered presentations and presented evidence in connection with its report, *Evaluating the Role of the Malta Film Commission in Promoting the Maltese Film Industry*.

c. Improved governance and evidence-based decision-making, as audit findings highlighted gaps in performance monitoring, coordination and data management, and recommendations encouraged a stronger focus on results, outcomes and long-term public value.

Outlook

In 2026, the Performance Audits Section will focus on completing audits carried forward from the previous year, while delivering new audits aligned with the NAO's strategic priorities, particularly in health, water management, migration and border control, civil protection, labour market interventions and energy-related services. Strengthening follow-up work will remain a key priority to reinforce accountability and parliamentary oversight.

Emphasis will also be placed on staff development to address both section-wide capability requirements and individual professional development needs. Training priorities will focus on strengthening technical audit skills, improving methodological consistency and building capacity in emerging areas, such as AI and analytical tools.

In line with the NAO Strategy 2024–2028, further progress is envisaged in modernising audit methodologies, including continued revision of the Performance Audit Manual, enhanced quality assurance tools, improved recommendation tracking and increased use of data analytics. International cooperation will continue to feature prominently, particularly through participation in INTOSAI and EUROSAI working groups, the INTOSAI Performance Audit Standards Committee and EU-level initiatives related to migration, energy and cooperative audits.

Special Audits and Investigations Section

Section overview

The SA&I Section examines matters of significant public interest, including the use of public funds, governance and accountability. Its work is grounded in the Auditor General and National Audit Office Act, 1997, which allows the AG to carry out audits at the request of the Minister responsible for Finance or members of the PAC.

The Section focuses on complex, often high-profile cases, many of which are referred by the PAC. These audits look at how public resources are managed and may combine financial, compliance and performance perspectives. Past work includes reviews of major national projects, such as the public hospitals concession and energy-related contracts.

In addition to these formal assignments, the Section can also launch its own investigations or respond to concerns raised by members of the public and civil society. These reviews address issues that affect the wider community, with particular attention given to areas such as land and property transactions.

Through its work, the Section plays an important role in strengthening transparency and accountability in public administration. By examining how decisions are made and resources used, it helps ensure that public officials are held accountable for their actions. Its findings often lead to improvements in systems, controls and procurement practices, while also highlighting lessons that can help prevent future shortcomings.

Key Section results for 2025

The key results achieved include:

- the publication of the audit titled *The Government's rescission of restrictions on the site of the Fortina Hotel*;
- significant progress on the ongoing Marsa Junction Phase 3 audit;
- substantial work carried out in relation to the audit of the American University of Malta project;
- the commencement of audit work on the Magħtab waste-to-energy procurement process, with notable progress achieved; and
- the initiation towards the end of the year of additional audits relating to transactions involving public land.

Other developments and innovations

An important development related to the finalisation of the SA&I Manual. This manual establishes a comprehensive, structured approach governing the full audit lifecycle, from the identification and origin of audit engagements through planning, evidence gathering, analysis, reporting and post-publication activities. It is firmly grounded in the NAO's constitutional and legislative mandate, and aligned with the ISSAIs, ensuring that audits are conducted with due regard to independence, objectivity and professional rigour.

In operational terms, the manual enhances consistency, quality assurance and accountability within the Section by setting out clear roles, responsibilities and procedural requirements for audit teams. It also provides detailed guidance on handling complex, sensitive audits, including those arising from requests by the PAC, ministerial referrals or matters initiated by the AG.

Emphasis is placed on the sufficiency and appropriateness of audit evidence, robust documentation practices and the production of balanced, evidence-based reports that support transparency and informed decision-making. The manual therefore represents a key instrument in reinforcing the NAO's capacity to address risks related to fraud, misuse of public resources and governance shortcomings across the public sector. At end 2025, the SA&I Manual was referred to senior management for endorsement.

Challenges encountered

A key challenge faced by the SA&I Section related to access to information, which is often not merely operational but fundamentally legal in nature. In several instances, difficulties arose in determining whether the NAO's statutory mandate sufficiently empowers it to obtain specific categories of information, particularly when this information is held by entities governed by legislation that allows it to challenge the Office's right to access.

While the AG is vested with broad investigative powers under the Constitution and the Auditor General and National Audit Office Act, 1997, the practical application of these powers may be contested or constrained, especially in cases involving sensitive data, commercial information or legal proceedings.

The issue of access to information is closely linked to broader governance considerations, including transparency, record-keeping practices and the willingness of auditees to cooperate fully with audit requests. Shortcomings in documentation and data management in public entities further exacerbate this challenge, requiring auditors to rely on fragmented or indirect sources of evidence. This, in turn, increases audit complexity and resource demands.

Impact of audit work

The work undertaken by the SA&I Section continued to generate significant impact in strengthening accountability, transparency and good governance across the public sector. Through its audits, the Section not only identifies shortcomings in compliance, internal controls and procurement practices, but also indirectly contributes to promoting higher standards of governance across public administration.

The existence of a robust, independent audit function serves as an important incentive for public entities to maintain appropriate levels of diligence, documentation and adherence to established rules and procedures. In this respect, the work of the SA&I Section supports a broader culture of accountability and sound financial management.

Beyond their disclosure to the public, reports drawn up by the SA&I Section provide tangible support to national authorities by serving as key inputs to judicial, investigative and parliamentary processes. The AG is regularly called on to testify in judicial proceedings, presenting and clarifying audit findings, and offering expert insight grounded in evidence obtained during the SA&I Section's audit work. In parallel, the Section maintains close collaboration with investigative bodies, particularly the MPF's Financial Crimes Investigations Department, facilitating the exchange of information relevant to ongoing investigations.

The legal and scrutineering impact of the Section's work is particularly noteworthy. SA&I Section reports constitute a robust evidentiary basis that underpins both judicial proceedings and parliamentary oversight, especially through the PAC. The reliance placed by the Law Courts on these reports, including in both first instance and appellate proceedings, attests to their credibility, objectivity and methodological rigour. Collectively, this reinforces the NAO's role as a key institutional pillar in Malta's accountability framework and enhances the effectiveness of external scrutineering mechanisms.

In addition, audits of the SA&I Section contribute to informed public debate and policy development by bringing complex governance issues into the public domain in an objective, evidence-based manner. The visibility and scrutiny generated by these reports often act as a catalyst for administrative improvements, encouraging auditees to strengthen internal controls, enhance record-keeping practices and address identified deficiencies. Over time, this contributes to improved service delivery and more effective stewardship of public funds.

Outlook

Looking ahead to the remainder of 2026, the SA&I Section is prioritising the conclusion of key high-profile audits, notably the Marsa Junction assignment, while bringing the audit relating to the American University of Malta significantly closer to finalisation. At the same time, the Section aims to register substantial progress across its broader audit portfolio, including ongoing work on the Magħtab waste-to-energy project and the land-related transactions currently under review. In parallel, new audit engagements are expected to commence, particularly in relation to the Authority for the Responsible Use of Cannabis and Malita Investments plc, reflecting the Section's continued focus on areas of interest and importance on a national level.

IT Audits Section

Section overview

(Corporate aspects of this Section's work are found under the Section on Finance and Administration and Support Services of this report)

The IT Audits Section is responsible for auditing the public sector IT projects, systems and infrastructure.

Key Section results for 2025

The key results achieved include:

- completion of a follow-up IT audit of the Planning Authority, in 2025 and published in February 2026;
- the continuation of the review of the methodology for the compilation and updating of demographic statistics using multi-source administrative data;
- completion of the first NAO IT Audit Manual; and
- active participation in international events and meetings organised by the EUROSAI Information Technology Working Group (ITWG).

Other developments and innovations

a. The IT Audits Section and a GIS resource from the Performance Audits Section successfully concluded negotiations with the Planning Authority for the planned use of their base maps using GIS software in 2026. This will introduce the spatial dimension in future audit findings.

b. The IT Audits Section used its internal software development resource to develop custom code using Python programming, introducing new automated ways to analyse data sets.

c. The IT audit manager co-moderated an Information Technology Self-Assessment (ITSA) at the Swiss Federal Audit Office and moderated two EUROSAI ITWG informal online meetings specific for Chief Information Officers (CIOs) of member SAIs. These two events were followed by online discussions with the ITWG to plan a series of online meeting for SAI CIOs and an ITSA and Information Technology Audit Self-Assessment (ITASA) training session for new moderators in 2026.

d. Throughout 2025, seven NAO auditors continued to follow the EUROSAI ITWG's online course on IT audits for non-IT auditors, titled Introduction to Public Sector IT Audit, which was heavily promoted by the IT Audits Section. This course provides non-IT auditors with knowledge on IT audit processes to further integrate IT audit components in performance and financial audits.

Challenge encountered

The IT audit team is made up of three auditors. For a number of months in the first half of the year, only two resources were available to work on the planned stand-alone IT audit, follow-up IT audit, drafting of the first NAO IT Audit Manual and developing coding required for the technical component of an internal data analytics project, which included the analysis of data using bespoke software. An auditor from the NAO's F&C Audits Section eventually joined the team and assisted in several of these planned tasks while receiving on-the-job training and mentoring.

Impact of audit work

By far the most important outcome of the work done in 2025, from a strategic standpoint, was the completion of the first NAO IT Audit Manual. The manual put together all the processes adopted in the various forms of IT audits conducted by the NAO since 2011, namely:

- IT audits of a single public entity (e.g., Information Technology Audit: Commerce Department);
- horizontal IT audits, which analysed selected aspects of IT governance (e.g., cybersecurity controls) across a number of government entities;
- IT project audits (e.g., Information Technology Audit: The Effective Use of Tablets in State, Church and Independent Primary Schools); and
- the IT audit components of financial and performance audits (e.g., the performance audit on the Fisheries and Aquaculture Inspectorate).

Outlook

The main focus of the IT Audits Section in 2026 will be on:

- formalisation and strengthening of the software development arm of the Unit to cover work related to Large Language Models, Data Analytics, Big Data and use of the social media;
- strengthening of the IT audit function through further Certified Information Systems Auditor certification, as well as AI auditing certification (making use of the related EUROSAI ITWG online training module for auditing of AI); and
- further collaboration with the NAO's GIS resource to introduce the spatial dimension in NAO audit findings and recommendations.

Audit work

Audit output

Audit hours
66,541

Reports published
8*

Follow-up audits published
1**

Financial and Compliance Audits

Compliance Audits

Annual Report on Public Accounts

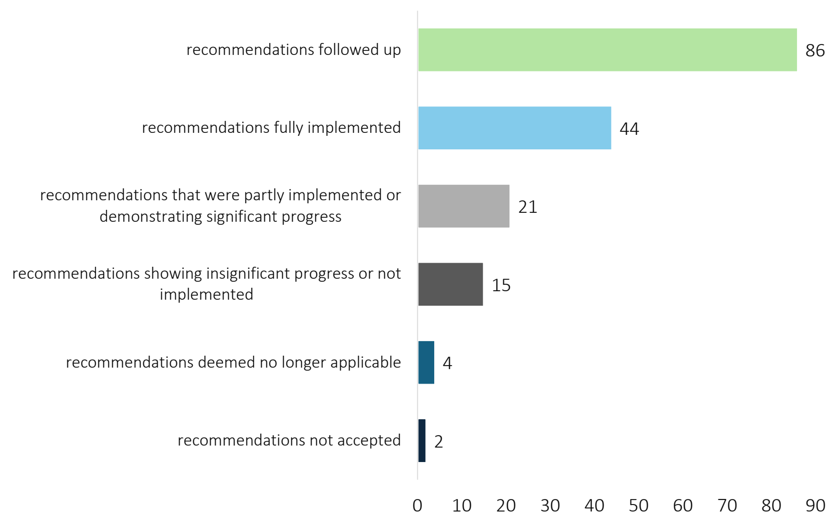
audits carried out and published	17
recommendations	240+

Report on the workings of Local Government

compliance audits carried out and published	3
recommendations	105

Follow-up Audits

audits followed up	10



Financial and Compliance Audits

Financial Audits

Financial Audits Reports

financial audits carried out	5
recommendations in financial audit reports	18
recommendations in the analysis of the Government's Financial Report 2024	18

Report on the workings of Local Government

Local councils audited	59
Regional Councils audited	6
Local Councils Association audited	1
recommendations	800+

Performance Audits

Performance Audit Reports

audits carried out and published	5
recommendations	44

Special Audits and Investigations

Special Audits and Investigations Report

audit carried out and published	1

* An additional performance audit was finalised in 2025 and published in 2026. These reports do not include the NAO Annual Report and Financial Statements 2024.

** Additionally, the Follow-up Audit Report for the Performance and Information Technology Audits was finalised in 2025 and published in 2026.

Institutional and international activities

The NAO's continued commitment to strengthening its institutional profile and international engagement is highlighted in this section of the report. During 2025, the Office actively contributed to the global and European audit community through hosting high-level international events, participating in cooperative and joint audits, and fostering bilateral and multilateral relations with other SAIs. These activities not only reinforced the NAO's role as a credible, proactive partner in promoting accountability and good governance, but also supported knowledge exchange, capacity-building and the adoption of innovative audit practices. In parallel, the Office advanced key institutional initiatives and deepened its collaboration with national stakeholders, enhancing its effectiveness in fulfilling its constitutional mandate.

Major activities

The major activities undertaken by the NAO reflect the Office's proactive role in hosting and contributing to high-level international events, facilitating dialogue among SAIs and addressing key themes of strategic importance, such as competitiveness, environmental sustainability and institutional independence.

European Union Contact Committee Meeting in Malta

Proceedings of the European Union Contact Committee Meeting

The NAO hosted the highly prestigious 2025 CC Meeting of the Heads of SAIs of the EU, that was co-chaired by Tony Murphy, President ECA, and Charles Deguara, AG. This event strengthened the excellent cooperation between the two entities; suffice it to state that in final preparation for this event, particularly the discussions thereon, on 23 October 2025 Charles Deguara, AG, accompanied by the core organising team Dr Rebecca Vassallo, Liaison Officer, International Affairs and Caroline Fenech, Personal Assistant to the AG, had a very productive meeting with Tony Murphy, President of the ECA, and his team in Luxembourg.

Charles Deguara, AG, and Tony Murphy, President ECA, during the preparatory meeting for the EU CC Meeting in Luxembourg on 23 October 2025

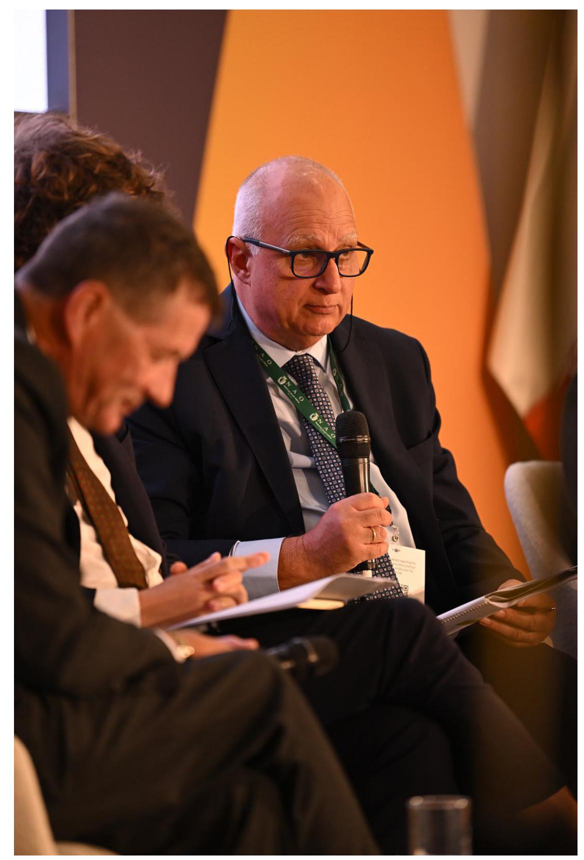
The 2025 EU CC Meeting was held in Floriana from 19 to 20 November and brought together the Heads of SAIs of all EU member states, as well as representatives of the ECA. Delegates from the Support for Improvement in Governance and Management and the SAIs of EU candidate countries participated as active observers.

Centred on the theme *EU Competitiveness: A Strategic Challenge for the EU* and its Member States, the meeting explored how Europe can bolster productivity, innovation and resilience in an increasingly complex global environment.

During the opening session, Hon Dr Anġlu Farrugia, Speaker of the House of Representatives, welcomed the delegates and emphasised the central role of independent oversight institutions in ensuring good governance and responsible use of public resources.

Hon Dr Anġlu Farrugia, Speaker of the House of Representatives, delivering the opening speech during the EU CC Meeting

Expert contributions were delivered by Sander Tordoir, Chief Economist at the Centre for European Reform, and Anna Athanasopoulou, Director at Directorate General Internal Market, Industry, Entrepreneurship and Small and Medium-sized Enterprises. Their interventions examined Europe's competitive position, investment priorities and the European Commission's proposals related to the EU Competitiveness Fund.



Delegates also benefited from insights shared by Arno Kruk, Public-Private Partnership Manager at ASML, on the semiconductor ecosystem in Europe and the significance of Important Projects of Common European Interest in strengthening strategic technological capabilities.

Throughout the two-day meeting, participating SAIs exchanged experiences from their national audit work on areas such as public investment, energy security, labour market skills, innovation and digitalisation. Discussion also focused on how SAIs can best support efforts to enhance competitiveness at both national and EU levels.

The meeting concluded with the ceremonial handover of the CC Chairmanship to SAI France for 2026, reaffirming the collective commitment of the European audit community to accountability, sound public spending and a more competitive EU.

Intervention by Charles Deguara, AG, during the EU CC Meeting

Official reception during EU CC Meeting, hosted at the Verdala Palace, on 18 November 2025

Contact Committee Meeting social and networking events

Delegates were welcomed to Malta at an official reception, hosted on 18 November at the historic Verdala Palace, courtesy of Her Excellency, Dr Myriam Spiteri Debono, President of Malta.

Charles Deguara, AG, expressed his gratitude to the President for permitting the NAO to host the reception at the Palace, a gesture that was greatly appreciated by all those present. Hon Dr Anġlu Farrugia, Speaker of the House of Representatives, also addressed participants, commending the NAO for its ongoing contribution to enhance good governance through its extensive reporting to Parliament.

Tony Murphy, President of the ECA, together with his delegation, was in attendance.

Official reception during EU CC Meeting, hosted at the Verdala Palace, on 18 November 2025

During the days of the CC Meeting, delegates enjoyed a culturally rich programme, which included a formal dinner at the Mediterranean Conference Centre, a guided walking tour of Valletta and a farewell reception at MUŻA – The National Community Art Museum – which was also open to all NAO staff members.

In view of the extremely positive feedback received from various participants, the NAO issued a commemorative book, compiled and produced internally, that was eventually circulated to all participants as well as various Maltese distinguished guests including Her Excellency the President of Malta, the Hon Prime Minister, the Hon Leader of the Opposition and the Hon Speaker of the House of Representatives.

23rd Assembly of the INTOSAI WGEA hosted in Malta

The NAO hosted the 23rd Assembly of the INTOSAI WGEA from 1 to 3 July. This high level international event brought together 115 delegates from 46 SAIs worldwide, reflecting the WGEA's central role in enhancing global capacity for high-quality environmental auditing.

Held under the theme *Auditing Our Blue Planet*, the Assembly focused on critical environmental challenges, particularly those affecting the marine environment and water scarcity. Delegates examined issues, including the resilience of drinking water supplies, the climate-water nexus, sustainable practices in the Mediterranean, marine ecosystems and broader water economics.

The Assembly was formally opened by Dr Sami Yläoutinen, AG of Finland and Chair of the INTOSAI WGEA, together with Charles Deguara, AG. The opening remarks welcomed participants and underscored the global importance of robust environmental auditing. A keynote address by the Hon Dr Miriam Dalli, Minister for the Environment, Energy and Public Cleansing, provided national insights aligned with the Assembly's central themes.

Throughout the event, experts from prominent international institutions contributed keynote speeches, moderated thematic discussions and shared insights into global environmental risks and audit practices. Delegates also benefited from country presentations highlighting SAI-specific audit case studies and innovative approaches.

Hosting by the NAO of the 23rd Assembly of the INTOSAI Working Group on Environmental Auditing from 1 to 3 July 2025

Photo courtesy of Clodagh O'Neill, DOI

On 2 July, participants engaged in 12 interactive workshops addressing topics, such as marine pollution auditing, the climate-water nexus, innovative environmental reporting and capacity-building for environmental auditors. Workshop conclusions were presented during a plenary session, contributing to a shared understanding of emerging global challenges and effective audit methodologies.

The final day, 3 July, was dedicated to the INTOSAI WGEA Business Meeting, in which members reviewed activities undertaken between 2023 and 2025, and formally launched the 2026–2028 Work Plan. The proceedings also featured the INTOSAI WGEA Award Ceremony, recognising outstanding contributions in the global audit community. The Assembly concluded with the symbolic handover of the WGEA Chairmanship from SAI Finland to SAI Thailand, marking a new phase of leadership and continuity in environmental audit collaboration.

The meeting concluded with an environmental excursion in which delegates were shown around the Ċumnija New Water Plant by Water Services Corporation engineers, who also explained the relevance of this technology in the context of water scarcity for agricultural use in Malta.

IDI Legal Experts' Meeting on SAI Independence

Legal support plays a pivotal role in enabling SAIs to effectively discharge their mandates, particularly in advocating for and safeguarding their institutional independence. In recognition of this, the IDI has been gathering insights into the structure and function of legal support within SAIs and identifying best practices to guide both their establishment and the assessment of their maturity.

Within this framework, the third Legal Experts' Meeting under the IDI Legal Experts' Meeting on SAI Independence programme was held in Valletta from 24 to 27 February. Hosted by the NAO, the meeting marked an important step forward in strengthening legal capacity within SAIs and reinforcing their independence.

The event brought together legal professionals and SAI representatives from Czechia, Lesotho, Malta, Poland and South Africa. The NAO was represented by Dr Amanda Borg, Principal Auditor, SA&I Section. Discussions focused on identifying and addressing key legal risks, sharing best practices and exploring strategies to enhance the robustness of SAIs' legal frameworks. Participants underscored the critical importance of legal expertise in protecting SAI independence, ensuring that institutions can conduct audits free from external interference and effectively holding governments to account.

Participants at the IDI Legal Experts' Meeting on SAI Independence, held in Valletta, from 24 to 27 February 2025

The meeting was formally opened with addresses by Hon Dr Anġlu Farrugia, Speaker of the House of Representatives, and Charles Deguara, AG. In their remarks, they emphasised the central role of sound legal frameworks in safeguarding SAI independence, strengthening good governance in the public sector and upholding the broader principles of democracy.

A significant milestone achieved at the meeting was agreement on the structure and content of a Maturity Model designed for SAIs' legal functions. This model provides a practical tool to enable SAIs to assess their capacity to manage legal matters independently, both in the conduct of audits and in the administration of their operations. A more mature legal function enhances an SAI's ability to anticipate and respond to challenges to its independence, ensuring sound, legally robust decision-making and improved institutional performance.

Participants also agreed to develop a repository of good practices to support knowledge-sharing among SAI legal advisers across different national contexts. This resource will facilitate the exchange of experiences and promote the strengthening of legal functions that underpin SAI independence and accountability.

A dedicated session was organised for NAO officials, creating an opportunity for local and international experts to discuss legal risks, principles of independence and emerging global challenges facing SAIs. The session was led by Luis Alonso Robas, Manager, SAI Governance and Independence, IDI, who facilitated a dynamic discussion on the evolving legal landscape for SAIs and outlined practical strategies to address threats to institutional independence.

Other international engagements

The NAO continued to consolidate its position as an active, respected participant in the international public sector audit community. This was achieved through the execution of joint audits, participation in parallel and cooperative audits and the strengthening of institutional relations through structured bilateral engagement with foreign SAIs. These developments reflect the Office's commitment to enhance audit quality, exchange knowledge and expertise, and contribute to improved public governance across borders.

Joint audits with other SAIs

During 2025, the NAO was actively involved in a range of collaborative audit initiatives covering diverse areas of public administration, including EU-funded programmes, tax revenue management, demographic change and climate change adaptation. These assignments were undertaken in partnership with other SAIs under bilateral cooperation agreements and international audit frameworks, demonstrating the Office's growing role in promoting accountability, transparency and good governance at both regional and global levels.

This section of the report provides an overview of the principal joint and cooperative audit activities undertaken by the NAO during 2025, together with the key milestones achieved and the value generated through these collaborative endeavours.

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 Programme

The joint audit undertaken by the NAO and SAI Italy represented a significant step forward in bilateral cooperation and innovative audit practice. Implemented under the Memorandum of Understanding (MoU), signed on 29 April 2024, the assignment assessed the performance and governance of the Interreg Italy-Malta 2014–2020 Programme,

Signing of the joint performance audit report on the Interreg Italy-Malta Programmes, by Guido Carlino, President of SAI Italy, and Charles Deguara, AG while generating forward looking insights relevant to the 2021–2027 programming period. As the first substantive application of the MoU, it demonstrated the practical value of structured cross border state audit collaboration.

The audit combined programme level analysis with a focused review of four emblematic projects – Corallo, Corallo Plus, SimaSeed and SimaSeedSi – drawing on meetings, site visits and direct engagement with project partners and stakeholders. A key innovative feature of the assignment was the enhanced presentation of audit results: the final report integrated Quick Response enabled supplementary material, data driven infographics and a clear, user focused structure, significantly improving accessibility, transparency and usability.

A major milestone in the implementation of the joint audit was the visit to Malta, held from 20 to 22 January 2025, by a delegation from SAI Italy, led by Guido Carlino, President of the Italian Corte dei Conti. During the visit, President Carlino and Charles Deguara, AG, delivered a joint presentation to the PAC outlining the progress achieved and the lessons learned through the audit. The visit also provided an opportunity for in-depth technical discussions between the respective audit teams on the continued enhancement of bilateral cooperation and the sharing of audit methodologies and practices. Both institutions expressed their appreciation for the excellent work carried out by the joint audit teams, whose collaborative efforts contributed significantly to the success of the assignment.

Throughout the audit, close and continuous engagement with programme authorities in Italy and Malta supported a collaborative, solutions oriented approach. Authorities welcomed both the findings and the modern reporting techniques applied and expressed commitment to implementing the recommendations. Following joint clearance procedures, the report was formally signed by the respective Heads of the SAIs and published in July 2025. It was widely commended, particularly by Sicilian stakeholders, for its quality and innovative character. In Malta, the report was formally presented to Parliament, reinforcing democratic oversight of EU funded cross border programmes and highlighting the NAO's commitment to modern, impactful performance auditing.

Cooperative audit on tax revenue with SAI North Macedonia

The cooperative audit on tax revenue between the NAO and SAI North Macedonia represents a further strengthening of bilateral collaboration in public sector auditing. Undertaken in the framework of the MoU signed on 21 March 2024, the assignment involves the development of a parallel performance audit focused on tax revenue systems.

The audit adopts a process oriented approach through examining the accuracy of tax declarations, the robustness of internal controls, risk assessment practices and the effectiveness of information exchange with third party entities. Preparatory technical meetings held in early 2025 enabled both SAIs to align the audit scope, objectives and methodology. The audit commenced in June 2025, with the joint report planned for completion by the fourth quarter of 2026. Beyond its audit objectives, the initiative has facilitated the exchange of good practices and reinforced cooperation in public revenue management.

Participation in multi-country parallel audits on ageing populations

The NAO participated in a parallel performance audit led by SAI Israel. The main objective was to identify the challenges posed to public administrations by ageing populations. SAIs from Albania, Lithuania, North Macedonia, Paraguay, Poland, Portugal and the Slovak Republic also participated in this initiative. The focus was to determine the effectiveness and sustainability of community based services for older persons, an issue of growing relevance across many jurisdictions.

Through this collaborative exercise, participating SAIs developed a comparative evidence-based methodology that enabled benchmarking, identified innovative practices and highlighted common systemic challenges. During 2025, the NAO actively supported the development and implementation of the common audit framework. Nationally, the initiative culminated in the publication in December 2025 of the NAO performance audit report, *Home Based Medical and Clinical Services for the Elderly*, which examined community based medical support for older persons and set out recommendations to enhance the effectiveness and long term sustainability of these services.

Global Climate Adaptation Audits for a Resilient Future: Lessons and recommendations from Supreme Audit Institutions

The NAO participated in the Global Cooperative Audit on CCAAs, an initiative led by SAI Brazil, the IDI in collaboration with the INTOSAI WGEA. Bringing together 54 SAIs worldwide, the audit assessed national responses to climate change adaptation, with particular focus on disaster risk reduction, water resource management, sea level rise and coastal resilience, and national adaptation planning, especially in Small Island Developing States.

Within this framework, the NAO published the performance audit, Climate Change Adaptation – Evaluating Malta's efforts relating to Flooding and Sea Level Rise, in June 2025. Key findings were included as a case study in the CCAA global publication, which also identified the Climate Action Act of 2024 as a key development in strengthening Malta's climate governance through the establishment of the Climate Action Authority.

The global audit findings were published during the 25th INCOSAI, held in Sharm El Sheikh, Egypt, in October 2025.

Bilateral and multilateral meetings with other SAIs

The NAO continued to actively strengthen its bilateral and multilateral engagement with various other SAIs in 2025. These meetings and exchanges provided valuable opportunities for the sharing of knowledge, methodologies and good practices across a range of audit and institutional areas. Through this international cooperation, the Office further enhanced professional collaboration, fostered peer learning and reinforced its commitment to promote excellence, innovation and accountability in public sector auditing at both the regional and international levels.

Bilateral meetings with SAI Indonesia

On 6 February, Dr Isma Yatun, Madam Chair of SAI Indonesia, accompanied by Kusuma Ayu Rusnasanti, Director of Global Partnership Centre, paid an official visit to the NAO, during which the two SAIs shared their views and insights on strategic issues of mutual importance. The two audit institutions also discussed the possible strengthening of their bilateral cooperation through various initiatives. The Maltese delegation was made up of Charles Deguara, AG, Noel Camilleri, DAG and Dr Rebecca Vassallo, Liaison Officer, International Affairs.

While on official duties in Indonesia in late February, William Peplow, AAG, Performance Audits Section, was able to follow up on this official visit through targeted bilateral discussions with SAI Indonesia's Audit Board. These discussions focused on strategic areas of mutual interest, including induction and training frameworks for new recruits, the use of a web based system for real time monitoring of the implementation of audit recommendations, the NAO's approach to environmental, Sustainable Development Goal (SDG) related and broader sustainability audits, as well as the risk management framework underpinning the annual audit planning cycle.

Multilateral meeting with the SAIs of Poland, North Macedonia and Serbia

On 18 March, the NAO hosted a multilateral meeting with senior representatives from the SAIs of Poland, North Macedonia and Serbia. These foreign delegations were led by Marian Banaś, President of SAI Poland; Maksim Acevski, AG of SAI North Macedonia; and Ljiljana Dimitrijevic, Council Member of SAI Serbia. Charles Deguara, AG (Meeting Chair), Noel Camilleri, DAG, William Peplow, AAG, Performance Audits Section, and Dr Rebecca Vassallo, Liaison Officer, International Affairs, represented the NAO.

The NAO officials and high-level delegations from the participating SAIs contributed to insightful discussions, reflecting a shared commitment to knowledge exchange and international cooperation in public sector auditing. Participants explored emerging challenges and opportunities, including SAI independence, sustainability audits, stakeholder engagement and preparedness for the implementation of the 2030 Agenda for Sustainable Development.

SAI delegations at the multilateral meeting between the NAO and senior representatives from the SAIs of Poland, North Macedonia and Serbia on 18 March 2025

A series of presentations addressed current key audit priorities. SAI Poland examined SAI independence, presenting its experience with the SAI Independence Rapid Advocacy Mechanism and its efforts to safeguard its institutional autonomy and uphold its constitutional mandate. The NAO highlighted the significance of sustainability audits, emphasising the integration of ESG considerations in public sector auditing.

SAI North Macedonia explored strategies to enhance cooperation with stakeholders to improve the inclusiveness, reach and impact of audit reports. SAI Serbia discussed its assessment of the country's preparedness to implement the 2030 Agenda for Sustainable Development, focusing on governance frameworks, policy alignment and coordination mechanisms.

Bilateral meeting with SAI Slovenia

From 2 to 3 April, the NAO hosted bilateral meetings with SAI Slovenia. The meetings were an important platform for both SAIs to deepen institutional ties, exchange experiences and strengthen cooperation in public sector auditing.

The Slovenian delegation was led by Jana Ahčin, President of the SAI Slovenia, and accompanied by Boštjan Novak, Advisor in the Cabinet of the President and Liaison Officer. In-depth discussions and presentations were held between the Advisor and NAO officials. The meeting was chaired by Charles Deguara, AG, with participation from Noel Camilleri, DAG, Keith Mercieca, AAG, SA&I Section, William Peplow, AAG, Performance Audits Section, and Dr Rebecca Vassallo, Liaison Officer, International Affairs.

Presentations delivered by both SAIs underscored their strategic priorities and innovative practices. The NAO shared its risk assessment framework for developing its annual programme of work, and its experience developing methodology with the IDI and conducting audits on SDG implementation.

SAI Slovenia presented innovative approaches to enhance cooperation with the public and the use of modern communication strategies in audit work. Discussions highlighted shared priorities, including the application of organisational performance indicators, the process of drawing up annual reports and bilateral cooperation, particularly the agreement signed between the two national audit institutions in May 2018.

Charles Deguara, AG, greeting Jana Ahčin, President of the SAI Slovenia, at the NAO

Photo courtesy of Omar Camilleri, DOI

Bilateral meeting with SAI Slovakia

On 4 July, the NAO hosted a bilateral meeting with SAI Slovakia. The Slovak delegation was in Malta to attend the INTOSAI WGEA meeting and took the opportunity to engage in this bilateral exchange aimed at strengthening institutional ties and fostering peer-to-peer learning.

The Slovak delegation was led by Ľubomír Andrassy, President of SAI Slovakia, who was accompanied by Ľubica Gazdová, Director General at SAI Slovakia. The Maltese delegation was headed by Charles Deguara, AG, and included Noel Camilleri, DAG, and Dr Rebecca Vassallo, Liaison Officer, International Affairs.

Hosting by NAO of bilateral meeting between the Office and SAI Slovakia on 4 July 2025

Discussions focused on a number of strategic areas, including the SAI Slovakia's experience with a recent peer review conducted by other SAIs; its leadership role in the INTOSAI Capacity Building Committee Subcommittee on Peer Review; and its internal developments in quality assurance and methodology within the context of institutional restructuring. The NAO shared insights into its risk assessment framework for audit selection and broader institutional development efforts.

Official visit to SAI North Macedonia

From 16 to 19 September, Charles Deguara, AG, accompanied by William Peplow, AAG, Performance Audits Section, visited SAI North Macedonia for official discussions with Maksim Acevski and Jana Ahcin, AGs of North Macedonia and Slovenia respectively. Mr Peplow had very fruitful discussions with Katica Nikolovska, Dijana Dejanoska, Julijana Andonova, Simona Jakimoska and Biljana Stojanovska, colleagues from SAI North Macedonia, in connection with the joint audit on taxation matters. The discussion centred around joint methodology, logistical arrangements and the drafting of a final report focusing on the best practices elicited by the two national audit institutions.

SAI delegations during official visit by the NAO to SAI Macedonia from 16 to 19 September 2025

Mr Acevski, Ms Ahcin and Mr Deguara had a very interesting meeting with Afrim Gashi, the President of the Assembly of the Republic of North Macedonia, at the Parliament's premises.

Other international engagements

In addition to undertaking joint audits and bilateral meetings with other SAIs, the NAO continued to engage in a broad range of international activities in 2025. Through participation in conferences, seminars, working groups, training programmes, international audits and leadership initiatives, the Office further strengthened its contribution to the global public sector auditing community while enhancing its institutional capacity and expertise.

Participation by Charles Deguara, AG, at the celebration meetings in Tirana on 19 May 2025 to commemorate the 100th anniversary of SAI Albania

100th anniversary of SAI Albania

On 19 May, Charles Deguara, AG, participated at the celebration meetings in Tirana organised to commemorate the 100th anniversary of the SAI Albania. This commemoration was held within the main chamber of the Albanian Parliament (photo attached) and included various interesting speeches by colleagues Matanyahu Englman, President of EUROSAI and the State Comptroller of Israel, Augusto Nardes, President of INTOSAI and a former Minister of the SAI Brazil, Marian Banas, President of the SAI Poland, and Vlora Spanca, AG of the Republic of Kosovo. On behalf of all staff, Charles Deguara, AG, conveyed heartfelt congratulations to colleagues within SAI Albania, under the distinguished leadership of Arben Shehu, Chairman of this national audit institution.

OECD in Europe Meeting for Auditors General and Heads of SAIs

On 28 January, Charles Deguara, AG, attended the OECD Meeting for AGs and Heads of SAIs held in Paris. The event opened with welcome addresses by Matanyahu Englman, State Comptroller and Ombudsman of Israel, and Elsa Pilichowski, Director, Public Governance, OECD. This was followed by an interview with Eugene Dodaro, Comptroller General of the United States, conducted by Ms Pilichowski.

During this discussion, Mr Dodaro outlined various aspects of the work and assignments undertaken by SAI United States. He highlighted, among other themes, the increasing use of AI in public sector auditing. He also underscored the importance for SAIs to select audit themes that are directly relevant and useful to their citizens and residents, making reference to the growing significance of sustainability audits. Mr Dodaro asserted that SAIs remain relevant and valuable when they contribute meaningfully to strengthening good governance across the public sector.

The meeting agenda also featured three topical panel discussions of direct relevance to participating SAIs: Performance Auditing for Better Spending, Spending Reviews and Audit, and Achieving Impact with Sustainability Audits. Charles Deguara, AG, delivered a presentation on the NAO's experience and work related to sustainability audits as part of the third panel.

Contact Committee Troika+ Meeting

On 12 February, representatives from the NAO, the ECA and the SAIs of Cyprus, France and Poland met at the NAO's offices in Floriana for the Troika+ Liaison Officers preparatory meeting. The Office was represented by Dr Rebecca Vassallo, Liaison Officer, International Affairs and Caroline Fenech, Personal Assistant to the AG. This meeting served as an important step in the preparations for the 2025 EU CC Meeting, hosted by the NAO from 19 to 20 November.

Hosting by the NAO of the EU CC Troika+ Meeting on 12 February 2025

To prepare for the EU CC Meeting, the Troika+ (a group composed of representatives from the previous, current and next CC chairs and current Liaison Officers' meeting chair, as well as other key SAIs) plays a crucial role in shaping the agenda and ensuring continuity. The discussions focused on defining the main theme for the 2025 EU CC Meeting, the proposed agenda and structure of the meeting, organisational and logistical arrangements, and follow-up actions leading up to the event. These discussions are essential to ensuring that the CC remains an effective forum for EU SAIs to address shared challenges, exchange best practices and explore opportunities for collaboration.

NAO and the European Court of Auditors annual joint audit seminar

The NAO, in collaboration with the ECA, hosted its annual joint audit seminar on 11 March, reflecting the growing importance of ESG considerations in public sector auditing. The seminar brought together NAO staff, members of the ECA, Members of Parliament from the PAC, representatives from government ministries, academia and sustainability experts, providing a platform for engaging discussions on how audit institutions can contribute to sustainability efforts – ultimately serving the best interests of their citizens.

The programme featured an introductory address by Charles Deguara, AG, essentially setting the tone for the Seminar, followed by useful insights from Dr George-Marius Hyzler, Maltese Member of the ECA, on the ECA's approach to sustainability audits. Further contributions included an in-depth presentation on ECA audits on climate action, sustainable finance and EU budget allocations for green initiatives by Mariusz Pomienski, Director of Chambre I Directorate at the ECA. A private sector perspective was provided by Adele Timo, Head of Sustainability and ESG Strategy at Lynx, who examined the evolving ESG landscape, the impact of EU regulations such as the Corporate Sustainability Reporting Directive and the challenges businesses face in implementing sustainability reporting frameworks.

A panel discussion, moderated by Maria Azzopardi, Audit Manager, Performance Audits Section, provided a platform for exploring strategies to enhance the impact of sustainability audits. Panellists included Francine Pace Caruana, Director of Sustainable Development at the Ministry for the Environment, Energy and Public Cleanliness, Mr Pomienski and Prof Maria Attard, Head of the Department of Geography and Director of the Institute for Climate Change and Sustainable Development at the University of Malta. The discussion delved into the challenges and opportunities surrounding sustainability audits, addressing topics such as policy implementation, regulatory compliance and the evolving expectations of audit institutions.

The NAO's experience in environmental and sustainability audits was presented by William Peplow, AAG, Performance Audits Section. He highlighted the Office's commitment to embedding sustainability considerations into broader public sector audits, ensuring that environmental policies are assessed not only for efficiency and effectiveness but also for their long-term socio-economic impact. His presentation also underscored key challenges, including data gaps, financial constraints and the need for stronger public engagement to enhance policy implementation and accountability.

The event concluded with closing reflections by Mr Deguara and Dr Hyzler.

Hosting by the NAO, in collaboration with the ECA, of NAO/ECA joint audit seminar on 11 March 2025

Photo courtesy of Pierre Sammut, DOI

10th ASOSAI Seminar on Environmental Auditing and the 10th Working Meeting of the ASOSAI WGEA

William Peplow, AAG, Performance Audits Section, attended the 10th Asian Organisation of Supreme Audit Institutions (ASOSAI) Seminar on Environmental Auditing and the 10th Working Meeting of the ASOSAI WGEA, hosted by SAI Indonesia from 24 to 26 February. The events brought together over 40 participants from 15 SAIs. Representatives from the Secretariats of the INTOSAI WGEA and the EUROSAI WGEA also participated, providing updates on progress made in audit work related to the seminar theme.

The programme focused on the theme, Solid Waste Management Audit, with participants engaging in substantive, in-depth discussions. The Working Group's work plan for 2025–2026 was approved. The NAO's performance audit report, Performance Audit: The effectiveness of plastic waste management in Malta, published in February 2021, was particularly well received and was referred to in the presentation delivered by the INTOSAI WGEA Secretariat.

Several audit findings outlined in the NAO's report – most notably those relating to separation at source, deviations from the polluter pays principle and the rate of implementation of NAO recommendations – featured prominently in plenary discussions. These issues were noted to closely reflect, in many respects, similar challenges and experiences encountered across the ASOSAI region.

First Joint EUROSAI Strategic Project Groups 1 and 2 Meeting

From 5 to 6 March, Dr Rebecca Vassallo, Liaison Officer, International Affairs, attended the First Joint EUROSAI Strategic Project Groups 1 and 2 Meeting in Bratislava, which aimed to deepen understanding of the EUROSAI Strategic Goals, provide visibility on EUROSAI activities that contribute to the implementation of these Goals and explore new ways to collaborate to achieve strategic objectives.

The EUROSAI Strategic Plan 2024–2030 is structured around two key goals: Strategic Goal 1, which focuses on supporting and brokering professional cooperation, and Strategic Goal 2, which aims at supporting and facilitating institutional capacity development. These goals are implemented through task forces, working groups, networks, project groups and projects, all contributing to the plan's objectives.

During the meeting, the leads of various initiatives presented their progress, objectives and expected outcomes, with participants providing feedback on ways to improve effectiveness and engagement. Dr Vassallo presented #AuditTalks, a new EUROSAI project group led by SAI Lithuania and co-led by SAI Malta, designed to foster knowledge exchange and professional growth through expert-led discussions on audit practice and methodology.

Study visit to North Macedonia

Following an invitation from the Centre of Excellence in Finance to contribute to a study visit from 11 to 13 March in North Macedonia, Noel Camilleri, DAG, was among a number of experts who delivered presentations on Public Sector Asset Management to participants from the country's Ministry of Finance and the State Audit Institution. The experts group also promoted a new training programme on asset management, being undertaken jointly by the Centre of Excellence in Finance and Chartered Institute of Public Finance and Accountancy. Mr Camilleri, in turn, highlighted the role SAIs can play in promoting improved accounting and management of land and buildings. He also referred to several audits conducted by the NAO on this topic.

OECD in Europe Auditors' Alliance Meeting

Charles Deguara, AG, participated in the OECD Auditors' Alliance Meeting, held virtually on 20 March. The Auditors' Alliance is a unique forum for internal and external public sector auditors from different audit environments around the world to share good practices and expertise. The long-term goal of the Auditors' Alliance is to facilitate partnerships and encourage targeted cooperation among auditors.

The meeting addressed the themes, Improving Preparedness: Strengthening the Auditors' Role in Times of Emergency and Enhancing Cooperation Between Internal and External Audit. During the first session, Mr Deguara participated in a panel discussion alongside Karen Hogan, AG of Canada, and Markus Erlmoser, Chief Audit Executive within Austria's Ministry of Finance.

Discussions focused on the importance of maintaining transparency, accountability and effective governance during crises, as well as the need for SAIs to remain adaptable and responsive to emerging risks and rapidly changing circumstances. Emphasis was also placed on the value of innovation, risk anticipation and international cooperation in strengthening institutional preparedness and safeguarding public resources during periods of uncertainty.

IDI MASTERY Leadership Programme

Noel Camilleri, DAG, participated in two modules of the IDI MASTERY Leadership Programme for Heads of SAIs and DAGs. The programme provided senior leaders of SAIs with opportunities for professional development, peer learning and international networking, while offering a structured pathway to certification through the successful completion of three modules over a two-year period.

From 24 to 27 March, Mr Camilleri attended the first module of MASTERY, titled *Leading the SAI in a Global Context*, hosted by SAI Spain in Madrid. Discussions focused on the evolving challenges of governance, public finance, accountability, public trust and digitalisation, with contributions from experts representing organisations, including the OECD, the International Monetary Fund, Transparency International, the ECA and former Judges of the European Court of Justice.

Participation by Noel Camilleri, DAG, in IDI MASTERY Leadership Programme

Mr Camilleri also attended the second module, titled *Leading SAI Institutional Change*, held in Casablanca, Morocco, from 29 September to 3 October, and hosted by SAI Morocco. The Masterclass explored challenges associated with institutional transformation within SAIs. Discussions focused on strategic and change management, safeguarding SAI independence, risk governance and stakeholder engagement.

2025 Liaison Officers' Meeting

On 26 March, Dr Rebecca Vassallo, Liaison Officer, International Affairs, attended the Liaison Officers' Meeting of the EU SAIs ahead of the 2025 CC Meeting, that was hosted by the NAO in Malta in November. The ECA presented in detail the subject matter for the 2025 CC Meeting – *EU Competitiveness: A Strategic Challenge for the EU and its Member States* – highlighting its relevance to current strategic and policy developments. Dr Vassallo delivered a presentation on the preparations and logistical arrangements for this CC Meeting.

The meeting agenda also covered updates on collaborative audits and discussions on the new Multiannual Financial Framework, the Committee statement on the European Investment Bank, the CC Cooperation Framework and website, as well as upcoming meetings.

INTOSAI Professional Standards Committee Annual Meeting

From 1 to 2 April, Simon Vassallo, Audit Manager, Performance Audits Section, attended his first annual meeting as a newly appointed active member on the Performance Audit Subcommittee in Bucharest, Romania. The committee falls under the umbrella of the INTOSAI Professional Standards Committee and brings together the international expert community on public sector performance audit to develop and maintain standards and methodological guidance for performance audit in INTOSAI.

Discussions during the meeting focused on the development of new audit tools, enhancing the accessibility of audit reports to users and of ISSAIs to performance auditors, and the future direction of the subcommittee's work programme up to 2028. Following the meeting, Mr Vassallo was invited to contribute to ongoing work aimed at improving accessibility to performance audit standards and guidance materials.

IDI SAI Audit Analytics

Building on the NAO's participation in the IDI SAI Audit Analytics initiative in 2024, Dr Rebecca Vassallo, Liaison Officer, International Affairs, continued contributing to the development of this programme in 2025. The initiative aims to strengthen data analytics competencies among SAI auditors through a structured learning framework covering statistics and data analytics.

Dr Vassallo participated in the SAI Audit Analytics Design and Development Meeting, held from 7 to 11 April, which brought together resource persons working on the Statistics for SAI Auditors and Data Analytics modules. Discussions focused on ensuring coherence across modules, finalising course content and shaping the delivery of the programme through a virtual learning environment.

Work during the meeting also included the development of assessment components, such as a final assignment and application project templates, as well as the definition of entry requirements for different competency levels. In addition, discussions addressed support mechanisms for SAIs receiving in-depth assistance under the initiative.

Audit of European Union Institute for Security Studies

From 11 to 15 May, Marlene Zammit, Principal Auditor, F&C Audits Section, together with colleagues from Romania and Poland, carried out the annual audit of the European Union Institute for Security Studies (EUISS). Their report was presented to the Board on 11 July.

The EUISS is an autonomous EU agency funded by EU member states. It is governed by a management board composed of member states' representatives and chaired by the High Representative of the Union for Foreign Affairs and Security Policy. The EUISS serves as a think tank on the EU's foreign, security and defence policies. It provides analysis and insights to inform the EU's strategic choices in these areas.

SAI SDG Auditor Initiative Design and Development Meeting

From 12 to 23 May, Keith Mercieca, AAG, SA&I Section, participated in the SAI SDG Auditor Initiative Design and Development Meeting, held in Oslo, Norway. Organised by the IDI, this meeting convened practitioners from the United Nations Department of Economic and Social Affairs, the SAIs of Jamaica, Kenya and Malta, and subject matter experts from the IDI. The meeting was part of the global capacity-building efforts supporting the implementation of the 2030 Agenda for Sustainable Development.

The meeting was designed as a hybrid forum for co-creating an education programme that reflects insights in audit methodology, capacity development and systems thinking, tailored to the complex, interconnected nature of auditing SDG implementation. Participants collaborated to finalise the updated competency framework for SAI SDG auditors, refine the course syllabus and design integrated learning solutions. The envisaged learning solutions were to include asynchronous e-learning materials, webinars and case-based audit simulations. The overarching aim was to strengthen SAIs' capacity to conduct high-quality, impact-driven audits that are responsive to national and global SDG contexts.

The two-week programme was intentionally structured to combine strategic discussions, technical development and reflective practice. It was anchored in the systematic approach to training, enabling participants to approach curriculum design through the lens of competency-based education. The sessions were enriched by peer exchanges, interactive group work and practical demonstrations. Mr Mercieca was assigned responsibility for the development of curriculum content covering the conduct and reporting of audits of SDG implementation, including the practical application of these audit processes within participants' national contexts.

SAI PMF Advanced Workshop

From 2 to 6 June, Simon Vassallo, Audit Manager, Performance Audits Section, and Christopher Micallef, Audit Manager, F&C Audits Section, participated in the SAI PMF Advanced Workshop in Istanbul, organised by the IDI. Mr Vassallo's and Mr Micallef's participation followed a rigorous selection process conducted by IDI. The workshop's objective was to further strengthen the SAI PMF capacity in EUROSAI by ensuring SAI staff have extensive knowledge about the SAI PMF and its application.

The workshop covered important methodological aspects of the SAI PMF, including: lessons learnt from the implementation of the 2016 edition of the SAI PMF; quality management in the assessment process; analysing assessment findings and report writing; and an introduction to new tools. The workshop introduced the latest developments in the SAI PMF. These included revisions to the framework and the repeat assessment methodology, and the use of e-SAI PMF, an online application that supports SAIs and SAI PMF assessors to conduct rapid, high-quality and efficient assessments throughout the key stages of the assessment process.

Sessions were highly interactive, with an emphasis on collaborative learning, peer exchange and feedback. The two NAO participants delivered a presentation on the SAI PMF assessment carried out at the NAO, sharing the Office's experience, challenges and lessons learned, including the opportunities identified, the strategic impact observed, and the ongoing plans and action plans stemming from this valuable assessment. These participants are now certified IDI assessors and may be called on to review SAI PMF assessments on behalf of the IDI.

Information Technology Self-Assessment exercise at SAI Switzerland

SAI Switzerland carried out an ITSA in 2025 in preparation for a planned peer review. Thanks to his previous experience and competence in these assignments, Ing Simon Camilleri, Audit Manager, IT Audits and Operations Section, was chosen to co-lead this ITSA, held in June 2025.

From 6 to 10 June, Ing Camilleri co-moderated the ITSA of SAI Switzerland. This challenging assignment involved 22 participants from all parts of the SAI, who provided their feedback through the filling of the related extensive questionnaires. The exercise was concluded with a two-hour PowerPoint presentation to senior management, who conveyed its appreciation for the manner in which this self-assessment was carried out and the results achieved.

On 17 December, Ing Camilleri participated in the last EUROSAI ITWG session for the year, titled *Virtual coffee break with a colleague*. This series of meetings was dedicated to ITSA and ITASA. Emmanuel Hofmann, Lead Auditor at SAI Switzerland, gave an overview of the methodology of ITSA and ITASA and Ing Camilleri shared insights based on his experience as moderator of ITSA and ITASA.

Mr Hofmann and Ing Camilleri then answered questions on possible training for new ITSA and ITASA moderators, giving information about the assessment process and the next steps to coordinate these self-assessments.

Launch of EUROSAI Project #AuditTalks

On 11 September, a new EUROSAI Project Group, titled #AuditTalks, was officially launched through an online kick-off meeting. The initiative is being led by SAI Lithuania and co-led by the NAO. #AuditTalks project aims to establish a structured, sustainable platform for knowledge sharing, dialogue and collaboration across the EUROSAI community.

The launch event was opened by Charles Deguara, AG, together with, Irena Segalovičienė, the AG of Lithuania, Aušrinė Asanavičienė, Principal Public Auditor-Methodologist of the Innovation and Methodology Department, SAI Lithuania, and Dr Rebecca Vassallo, Liaison Officer, International Affairs. In his remarks, Mr Deguara highlighted the importance of keeping pace with evolving audit methodologies and emerging practices in an increasingly complex public sector environment. He emphasised that #AuditTalks project offers a dynamic, inclusive space for auditors to exchange ideas, reflect on good practices, and collectively respond to the challenges and opportunities shaping the profession.

The kick-off meeting introduced the background and vision of the initiative, reflected on lessons learned from the Travelling Club of Experts, and outlined the proposed operating model and future activities. It also provided an interactive platform for participants to contribute ideas on priority topics and potential contributors, ensuring that the initiative is shaped by the needs of the EUROSAI community.

The session was marked by strong engagement from participants, who actively contributed their perspectives on priority topics and the key challenges facing public sector auditing. This exchange of views will play an important role in shaping the future direction of #AuditTalks, ensuring that it remains relevant, responsive and aligned with the needs of the EUROSAI audit community.

IDI SAI Young Leaders Initiative

The IDI SAI Young Leaders Programme is designed to nurture emerging leaders in SAIs worldwide by strengthening leadership capabilities and supporting the implementation of institutional change initiatives. As part of the programme, all participants are required to design and lead a practical change initiative within their respective SAI. Through workshops, peer learning and engagement with international SAI leaders and leadership experts, participants gain practical insights and skills aimed at driving positive organisational development within their institutions.

In 2025, Karl Galea, Principal Auditor, Performance Audits Section, participated in this initiative. Mr Galea's project focused on the development and implementation of a Recommendations Tracker within the Office, aimed at strengthening the monitoring and follow-up of audit recommendations and enhancing institutional effectiveness.

On 25 September, Charles Deguara, AG, contributed to the programme by delivering a presentation during an online meeting. He had the opportunity to share various aspects of his extensive leadership journey in the Office with the 22 SAI Young Leaders from across the globe, including Mr Galea.

From 8 to 12 December, Mr Galea and Simon Vassallo, Audit Manager, both from the Performance Audits Section, participated in an in-person meeting in Muscat, Oman, in their respective roles as participant and coach. During this meeting, Mr Galea presented the progress achieved in this initiative and discussed the lessons learned from his experience in leading the respective Action Team.

Presentation of certificate of completion of IDI SAI Leaders Programme to Karl Galea, Principal Auditor, Performance Audits Section in Oman, Muscat

EUROSAI Information Technology Working Group meeting

On 23 September, Ing Simon Camilleri, Audit Manager, IT Audits and Operations Section, participated in the 18th EUROSAI ITWG meeting in Prague, organised by SAI Estonia and SAI Czechia, with the theme, *Implementing Seamless E-Services: Big Challenges and Small Victories*. The meeting was attended by 30 delegates in person and over 100 online from all parts of the world.

The meeting featured a short video presentation that focused on Malta's Electronic Government (eGov) achievements, referencing the 2024 eGovernment Benchmark Insight report. This video was a collaborative effort between Ing Camilleri and Mark Bartolo, a consultant in the Malta Information Technology Agency (MITA) eGov Services Department. The presentation helped showcase Malta's achievements in the user centricity of its eGov services.

Additionally, during the ITWG business meeting held on 24 September, Ing Camilleri delivered a presentation reflecting on the two events in the Virtual coffee breaks with a colleague series, which were specifically organised for SAI CIOs earlier in 2025 and which Ing Camilleri had the opportunity to moderate. Ing Camilleri also shared a few ideas promoting further collaboration among SAI CIOs.

European Twinning Event

From 1 to 3 October, delegations from Malta, Sardinia and Sicily met in Valletta for the official project launch of the Europe Seen from the South: Islanders and Continent, a European initiative funded through the Citizens, Equality, Rights and Values Programme. The event, organised jointly by the Local Councils Association and the Associazione Italiana per il Consiglio dei Comuni e Delle Regioni d'Europa, featured conferences, workshops and cultural exchanges aimed at boosting cooperation between islands, promoting civic participation and sharing best practices on sustainable local economies.

On 2 October, Charles Deguara, AG, delivered a presentation on the theme, *Bridges in the Mediterranean: Governance and Cooperation Networks among Islands* – the Interreg Italy-Malta Programme, basing his speech on the recent joint audit with SAI Italy, titled J*oint 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 Programme*. This joint audit proved to be a perfect example of a Governance and Cooperation Network implemented in practice by Malta and Italy.

Participation in European Union Network on the Audit of Migration kick-off meeting at SAI Spain

From 7 to 8 October, Charles Deguara, AG and William Peplow, AAG, Performance Audits Section, participated in the kick-off meeting of the EU Network on the Audit of Migration, together with delegations from 15 SAIs. The EU Network on the Audit of Migration is a collaborative working body operating under the auspices of the CC of the SAIs. Established in 2025, the Network aims to strengthen cooperation among EU national audit offices in auditing migration-related policies. The SAIs of Cyprus, Italy and Spain form the core group of the EU Network on the Audit of Migration.

The initiative reflects both the significant impact of migration on the EU and its citizens, and the strategic importance attached by the Heads of EU member SAIs to the audit of migration-related strategies, programmes and projects. Through enhanced collaboration, the Network seeks to promote regular exchanges among SAIs, with a particular focus on sharing best practices in auditing migration-related processes.

NAO participation in the kick-off meeting of the EU Network on the Audit of Migration held from 7 to 8 October 2025

This first in-person meeting, officially opened by Enriqueta Chicano Jávega, President of the SAI Spain, laid the groundwork for effective cooperation by aligning participants around the Network's objectives and establishing an initial plan of action. The conference focused on three key thematic areas: the integration of migrants into society; the safeguarding of national and EU external borders; and labour market gaps and employment opportunities for migrants.

Discussions underscored the inherent complexity of migration as an audit topic, arising from the interaction of multiple social, economic and policy factors, as well as from the diversity of governmental responses at national and EU levels.

Participation in 23rd EUROSAI WGEA Annual Meeting

From 8 to 9 October, Maria Azzopardi, Audit Manager, Performance Audits Section, attended the 23rd EUROSAI WGEA Annual Meeting, held in Bratislava, Slovakia. The topic under discussion was, *Climate-Water-Biodiversity Nexus: Risks, Relations and Challenges*.

The first day of the meeting focused on keynote speeches from experts from SAI Slovakia, including the Slovak Academy of Sciences, as well as presentations by SAIs on the work carried out under this theme. Ms Azzopardi delivered a presentation on the Climate Adaptation Audit that was published in June. The second day of the meeting was dedicated to workshops discussing key challenges SAIs face when defining the scope of an audit and finding solutions to auditing issues.

On 10 October, Ms Azzopardi attended the EUROSAI WGEA Steering Committee Meeting where plans for 2026 and other issues were discussed.

INTOSAI Working Group on Evaluation of Public Policies and Programmes Forum

Dr Rebecca Vassallo, Liaison Officer, International Affairs, and Karl Galea, Principal Auditor, Performance Audits Section, participated in the INTOSAI Working Group on Evaluation of Public Policies and Programmes Forum 2025, held from 15 to 17 October. The Forum, themed *Making a Difference through Data*, brought together SAIs from around the world to exchange experiences on integrating data analytics into performance audits and evaluations.

The programme featured keynote addresses, practical case studies and interactive Innovation Labs focusing on strengthening data-driven practices in public sector auditing. Dr Vassallo was invited to present during the practical case study segment, showcasing the NAO's work on implementing the SDGs, specifically the report on SDG 1 (poverty) and SDG 2 (pre-obesity and obesity). Her presentation generated strong interest from participants and sparked a highly engaged discussion, with numerous insightful questions and reflections from the audience.

Throughout the Forum, Dr Vassallo and Mr Galea actively participated in discussions and networking activities, further strengthening the NAO's engagement in international data analytics initiatives.

XXV INCOSAI

From 27 to 31 October, Charles Deguara, AG, and Noel Camilleri, DAG, attended the XXV INCOSAI, hosted by the SAI Egypt in the magnificent International Congress Centre at Sharm El Sheikh. An impressive number of delegates, exceeding a thousand, representing 219 national audit institutions across the globe, participated in this congress during which SAI Egypt officially assumed the Presidency of INTOSAI.

The informative updates given by the seven regional groups during this congress evidenced the extensive and extremely useful work being carried out by INTOSAI in public sector auditing across the world. Other important international organisations who are active in public sector auditing, such as the IDI and the OECD, also attended and organised various side events and activities.

INTOSAI WGEA Secretariat panel discussion

On 29 October, Charles Deguara, AG, participated in a panel discussion, organised by the INTOSAI WGEA Secretariat, on the topical theme, *Innovations in Environmental Auditing and the Launch of Summary Report from the Cooperative Audit on Climate Change Adaptation Actions*, together with the AGs of SAI Canada, Fiji and Maldives, as well as Archana Shirsat, the Deputy Director General, IDI.

Participation by Charles Deguara, AG, in panel discussion organised by the INTOSAI WGEA Secretariat on the theme Innovations in Environmental Auditing and the Launch of Summary Report from the Cooperative Audit on Climate Change Adaptation Actions on 29 October 2025 during the XXV INCOSAI Congress held from 27 to 31 October 2025

In his intervention, Mr Deguara referred to the strategic decision taken by the Office to give high priority to environmental auditing by the Performance Audits Section. He also alluded to the hosting in Malta of the INTOSAI WGEA Assembly. He outlined the valuable contribution of the NAO to the important global publication, *Global Climate Adaptation Audits for a Resilient Future: Lessons and recommendations from SAIs*, that included the main outcomes of the NAO performance audit: Climate Change Adaptation – Evaluating Malta's efforts relating to Flooding and Sea Level Rise, published in June. The interesting discussion was ably moderated by Dr Vivi Niemenmaa, Deputy Director of SAI Finland, and Mohammed Ibrahim Jaleel, Director General of Audit of SAI Maldives.

This landmark global publication was launched at the meeting and brought together the findings of the cooperative audit on Climate Change Adaptation from 54 SAIs.

Annual Seminar of State Auditors in Dubrovnik

Following an invitation from Ivan Klesic, AG, SAI Croatia, from 1 to 2 December, Charles Deguara, AG, participated in the Annual Seminar of State Auditors in Dubrovnik, Croatia. In his intervention, Mr Deguara dwelt on the main challenges and solutions in the NAO, emphasising the importance of international collaboration, particularly through the sharing of good practices and positive experiences.

Participation by Charles Deguara, AG, in Annual Seminar of State Auditors in Dubrovnik, Croatia from 1 to 2 December 2025

In addition, he highlighted the NAO's firm commitment to ensure that it provides the best professional development opportunities to all staff members, acknowledging that the Office's staff constitute its most valuable resource. Mr Deguara referred to the importance of ensuring that Office staff members are given the required training opportunities, particularly in view of important ongoing technological developments.

He also referred to the excellent work being undertaken by the Strategy Action Teams, set up to ensure the timely implementation of goals, included in the Office's strategic plan. These initiatives are geared to ensure that the Office carries out its constitutional duties to the best of its abilities, as duly expected by Parliament and the country's citizens.

Articles in foreign newsletter and paper in foreign journal

On 13 January, the EUROSAI WGEA published its newsletter. This included an interesting article by Maria Azzopardi, Audit Manager, and Ing Elton Camilleri, Principal Auditor, both from the Performance Audits Section, on *Malta's preparedness to deal with Flooding Events*. This article discussed the audit objectives, scope and approach undertaken in the Climate Change Adaptation performance audit.

In the first quarter of 2025, the INTOSAI International Journal of Government Auditing – on the theme, *Climate Change Adaptation and Audits: Country Case Studies* – published the paper by Ing Camilleri, titled *A Holistic Approach to Auditing Climate Change Matters*. This paper reflected the comprehensive approach being adopted by the Office when auditing climate change matters. This methodology is based on active participation in different fora to enable the sharing of best practices, coupled with the relevant training.

Institutional initiatives and agreements

The NAO strengthened its governance framework and collaborative arrangements through the signing of memoranda of cooperation, the establishment of structured protocols, and active engagement with national stakeholders and oversight bodies. These initiatives were complemented by participation in parliamentary committees and other strategic fora, reinforcing the NAO's role in Malta's institutional landscape. Collectively, these actions reflect the Office's continued commitment to enhancing transparency, accountability and effective public administration, while supporting the robust discharge of its constitutional mandate.

Signing of memoranda of cooperation

The NAO continued to strengthen its institutional partnerships through the formalisation of cooperation agreements with key national stakeholders. Memoranda of cooperation were signed with the NSO and the MPF, establishing structured frameworks for collaboration, information exchange and coordination in areas of mutual interest.

Memorandum of cooperation between the NAO and the National Statistics Office

On 27 November, the NAO and the NSO formally signed an MoC marking an important milestone in the ongoing collaboration between the two institutions. The agreement reflects a shared commitment to strengthening institutional coordination in areas of mutual responsibility and public interest.

The MoC establishes a structured framework for cooperation aimed at upholding transparency, accuracy and reliability in the compilation and reporting of public sector national accounts. By fostering closer collaboration, both institutions reaffirm their dedication to maintaining the highest professional standards in the production and oversight of national statistical information relating to public sector accounts. At the same time, the MoC fully respects the institutional independence and autonomy of both entities, as guaranteed by their respective legal frameworks.

Through the formalisation of this collaboration, the NAO and the NSO further safeguard the integrity and quality of public sector national accounts, reinforcing public trust in official data and financial reporting.

Charles Deguara, AG, and Angelo Gafà, Police Commissioner, formally signed an MoC between the NAO and the MPF on 11 December 2025

Memorandum of cooperation between the NAO and the Malta Police Force

On 11 December, Charles Deguara, AG, and Angelo Gafà, Police Commissioner, formally signed an MoC between the NAO and the MPF. This agreement represents an important milestone in strengthening institutional cooperation in matters relating to public sector auditing.

The MoC is intended to enhance communication, coordination and collaboration between the two entities, fostering a structured framework for cooperation in areas of mutual interest. Through this initiative, both institutions reaffirm their commitment to transparency, accountability and the effective use of public resources.

The original draft of the MoC was prepared by members of Strategy Action Team 7, established to set up the framework for information sharing.

Noel Camilleri, DAG, together with the members of Action Team 7, also attended the official signing ceremony, which took place at the Financial Crimes Investigations Department in St Venera. The event underscored the collaborative spirit underpinning the agreement.

Other institutional events

The NAO continued to strengthen its engagement with key stakeholders across the public sector, academia, oversight institutions and civil society. Through conferences, official visits, outreach activities, collaborative initiatives and high-level meetings, the Office promoted dialogue on good governance, accountability and public sector performance.

Conference organised by the Parliamentary Ombudsman

Intervention by Charles Deguara, AG, at the conference titled Transparency, Fairness and Accountability - Cornerstones of Good Administration organised by the Office of the Parliamentary Ombudsman on 12 June 2025

On 12 June, a considerable number of NAO staff attended an event titled *Transparency, Fairness and Accountability – Cornerstones of Good Administration*, excellently organised by the Office of the Parliamentary Ombudsman, led by Dr Joseph Zammit McKeon, Judge Emeritus. Following a welcome introduction by Hon Dr Anġlu Farrugia, Speaker of the House of Representatives, and a passionate speech by Parliamentary Ombudsman, it was the turn of Adv Kholeka Gcaleka, Public Protector of South Africa, to make the keynote speech. In a highly inspiring address, among other things, she emphasised the need of extending the ongoing collaboration and cooperation with those sectors of the public sector who fall under the Office's scrutiny, at one stage (in reply to question from the floor) the public protector emphasised that "there are no difficult ministries or departments". In an intervention, Charles Deguara, AG, emphasised the need of ongoing collaboration between the two Constitutional Offices of oversight.

Insaħħu l-Ħidma ta' Bejnietna Conference

On 30 January, Charles Deguara, AG, participated in a conference organised by the Office of the Principal Permanent Secretary that involved the participation of the Parliamentary Ombudsman, the AG and all Permanent Secretaries. Prof

Charles Deguara, AG, participated in a conference organised by the Office of the Principal Permanent Secretary on 30 January 2025

Photo courtesy of Clodagh O'Neill, DOI

Edward Warrington, the Conference's moderator, described this event as a historical first since it was the first time that the leadership of the public service met the two Officers of Parliament, who are responsible for the two offices of oversight, to discuss how good governance can continue to be enhanced.

The most significant outcome of the frank and open discussion consisted in the delineation of the roles, obligations and other expectations that the two Constitutional Offices of Review and the leadership of the Public Service hold towards each other.

Protocol on the Timely Submission of Information and Documents to the NAO

On 21 February, Tony Sultana, Principal Permanent Secretary and Head of the Public Service, and Charles Deguara, AG, signed a Protocol for the Timely Submission of Information and Documents to the NAO. This agreement, originally proposed by the NAO following internal consultation, formalises long standing practices and introduces clear standards on the timely submission of information and documents, intended to enhance the efficiency, predictability and transparency of the NAO's audit processes.

Signing of Protocol for the Timely Submission of Information and Documents to the NAO by Charles Deguara, AG, and Tony Sultana, Principal Permanent Secretary and Head of the Public Service, on 21 February 2025

Photo courtesy of Daniel Scicluna, DOI

The protocol reflects the excellent working relationship between the NAO and the Maltese public service – one grounded in mutual trust, respect and a shared commitment to accountability. Its provisions strengthen this collaboration by establishing consistent expectations applicable across ministries, departments and public sector entities.

The protocol outlines defined timeframes for auditee submission of responses and documentation in reply to the carrying out of audit procedures. It also sets deadlines for the organisation of meetings between the NAO and auditees. The protocol identifies time limits by which the scheduling of introductory meetings following the annual communication of the NAO Audit Plan takes place; provides for the timely provision of documentation; and establishes structured processes for clarifications and follow up requests.

In addition, it sets out an escalation mechanism to ensure accountability when deadlines are not met, together with the central role of liaison officers in facilitating communication and supporting timely compliance.

By consolidating these expectations into a single, transparent framework, the protocol supports smoother, more efficient audits while reducing administrative burdens on auditees. It also reinforces the principle that timely access to information is essential for the NAO to fulfil its constitutional mandate.

Visit by university students

In line with the Office's outreach policy, the NAO welcomed two groups of university students in 2025 as part of its efforts to promote awareness and understanding of the role of public sector auditing.

On 14 March, 15 students from the Department of Public Policy, Politics and Governance paid a visit, organised by Prof Thomas Vassallo, Head of Department, and Daniel Grima Duca, Lecturer. During the session, Charles Deguara, AG, shared insights into his professional experience in the Office and provided an overview of the NAO's role, functions and various types of audits undertaken by the institution.

He also referred to management's commitment to provide the required professional development opportunities to Office staff, acknowledging that the NAO's human resources constitute its most valuable asset. He augured that in the future some of these students would have the opportunity to join the NAO team.

On 10 June, the NAO welcomed 10 international students pursuing a Master of Business Administration in Leadership Excellence at Ascencia Malta. During the visit, Mr Deguara provided an overview of the Office's Constitutional mandate, mission and functions. Noel Camilleri, DAG, highlighted the importance for a SAI like the NAO to select, recruit and retain dedicated, qualified and experienced human resources, highlighting the Office's commitment and efforts to provide useful professional development opportunities as one of the critical means to always maintain and build on Office capacity. Marlene Zammit, Principal Auditor, F&C Audits Section, shared insights drawn from her extensive auditing background in the Office.

Presentation of Dissertation Award

On 2 April, Charles Deguara, AG, attended the Annual Presentation of Dissertation Awards to the Master of Accountancy students, course group 2022–2024, organised by the Department of Accountancy within the Faculty of Economics, Management and Accountancy at the University of Malta. During this event, Mr Deguara presented the NAO award to Matthew Vella for his dissertation, *The Malta Food Agency and its Financial Management*.

Presentation by Charles Deguara, AG, to Matthew Vella, of the NAO award, for his dissertation, The Malta Food Agency and its Financial Management, on 2 April 2025

Official Visit of the President of Malta

Her Excellency, Dr Myriam Spiteri Debono, President of Malta, paid an official visit to the NAO on 8 May. The delegation was welcomed by Charles Deguara, AG, and by Noel Camilleri, DAG.

Official visit to the NAO by Her Excellency, Dr Myriam Spiteri Debono, President of Malta, on 8 May 2025

In a meeting with the senior officials of the NAO, Her Excellency was given a detailed explanation of the Office's work and the different types of audits carried out by the Office in line with its constitutional mandate.

In her speech on this occasion, Dr Spiteri Debono said the NAO is part of the democratic format of our country and contributes to the rule of law. The President also emphasised that the scrutiny carried out by the Office strengthens accountability and governance, and should be carried out in an objective, impartial manner and without being tainted by external influences.

The AG, while thanking Her Excellency for finding the time to pay her first visit to the Office, said that the Office's management and all its staff are actively committed to continue providing the best auditing service possible so that good governance across the public sector continues to be enhanced, ultimately in the best interest of all citizens. Mr Deguara paid tribute to the total commitment of all the NAO's employees – a united team of highly dedicated, reliable and professional employees that undoubtedly constitute the Office's most valuable resource.

Dr Spiteri Debono took the opportunity to address all the NAO's staff and conveyed her appreciation for their work. On this occasion, Her Excellency presented mementos to those NAO employees who were shortly approaching retirement.

Bilateral meetings with Permanent Secretaries

In 2025, the NAO decided to resume bilateral meetings with Permanent Secretaries. A meeting was held on 23 May with Bjorn Callus, Permanent Secretary at the Ministry for Transport, Infrastructure and Public Works.

Conference organised by the Ministry for Education, Sport, Youth, Research and Innovation

In 2021, on the initiative of its Permanent Secretary, the Ministry for Education, Sport, Youth, Research and Innovation embarked on an important initiative to launch a monitoring and evaluation system. This system was gradually introduced across all departments and entities within the wide-ranging Ministry.

On 10 September, Charles Deguara, AG, participated in a panel discussion during a Conference, titled *Fostering Excellence through Monitoring and Evaluation*, organised by the Education Ministry to assess progress made on this initiative. In his intervention, Mr Deguara emphasised that the Office's work incorporates many aspects of a monitoring and evaluation system. He noted, however, that the key outcome of the NAO's reports involve the proposal by the Office of doable and feasible recommendations that are meant to address the issues and shortcomings identified during audit assignments.

Likewise, the benefits and advantages of these systems comprise, among others, alerting users to the need to take timely corrective action and ensuring the availability of data and information to enable more meaningful decisions and a more rational use of resources. Mr Deguara augured that monitoring and evaluation systems be implemented across the whole public service.

Participation in a panel discussion by Charles Deguara, AG, during a Conference titled Fostering Excellence through Monitoring and Evaluation, organised by the Education Ministry, on 10 September 2025

Presentation of publication *Governance Action on the NAO's Annual Report on Public Accounts 2023 and other NAO reports 2024*

On 25 September, Tony Sultana, Principal Permanent Secretary and Head of the Public Service, presented the publication *Governance Action on the NAO's Annual Report on Public Accounts 2023 and other NAO reports 2024* to Charles Deguara, AG. Mr Sultana noted that, as at end August 2025, the Public Service had implemented 686 actions arising from the Auditor's reports, representing an implementation rate of 86% of the total recommendations.

Presentation by Tony Sultana, Principal Permanent Secretary and Head of the Public Service, of the publication Governance Action on the NAO's Annual Report on Public Accounts 2023 and other NAO reports 2024 to Charles Deguara, AG, on 25 September 2025

Photo courtesy of Clifton Fenech, DOI

Mr Sultana observed that the high implementation rate is indicative not only of the recognition given by the Public Administration to the valuable work carried out by the NAO, but more importantly immediate action is taken to respond to recommendations received from the AG.

He stated that the Governance Action report continues to serve as an important monitoring tool to promote transparency and accountability in decisions and actions taken by the public service.

The report actively contributes to identifying areas that need improvement, while harmonising administrative procedures with the principles of good governance and Malta's national strategic objectives, including those defined in *Malta Vision 2050*.

Another Conference organised by the Parliamentary Ombudsman of Malta

From 15 to 16 October, the Office of the Parliamentary Ombudsman organised an international conference, themed *Upholding Good Governance in Challenging Times*. The conference was held to commemorate the 30th anniversary since its constitution by virtue of the Ombudsman Act of 1995.

On the second day of the conference, Charles Deguara, AG, shared his experiences and insights at the NAO during a panel discussion focusing on the topical subject *Advancing Ethical Governance: Strengthening integrity and the principles of good administration*. Mr Deguara emphasised that the NAO sees itself as a catalyst for promoting accountability, transparency, propriety and best practices in government operations – core elements of ethical public governance.

He affirmed that it is more productive in the long term that institutions of oversight are guided by the notion of service rather than that of power. As a consequence, it is preferable that oversight institutions are respected rather than feared by the departments and entities that are being audited and reviewed.

Mr Deguara expressed his conviction that, within the boundaries of the NAO's full autonomy from the Executive, a collaborative working relationship with auditees, based on mutual respect and trust, is more likely to ensure that the Office's recommendations to address issues identified during NAO audits are duly implemented.

Although this may be interpreted by some as a somewhat soft approach, the AG noted that it is the most reasonable one and, indeed, reflected the Ombudsman's Foreword to this Conference: "Our strength is not laid in coercive powers but in the moral authority of its recommendations, impartiality and credibility..."

Visit by the Maltese Member of the European Court of Auditors

On 26 November, Dr George-Marius Hyzler, Maltese Member of the ECA, and his delegation, namely Romuald Kayibanda, Chef de Cabinet, Dr Nikola Soukmandjiev, Cabinet Member, and Annette Farrugia, Attaché, paid an official visit to the Office. During this visit, the Maltese ECA Member presented to the AG, the *ECA's Annual Audit Reports on the implementation of the EU Budget for 2024*.

Dr Hyzler provided an interesting overview of the *ECA's Annual Audit Reports on the implementation of the EU Budget for 2024*, outlining key findings and developments relating to the Court's financial and compliance audit work.

The visit also served as an opportunity to discuss ongoing collaboration between the ECA and the NAO, as well as preparations for joint initiatives upcoming at the time. Participants exchanged views

Presentation by Dr George-Marius Hyzler, Maltese Member of the ECA, of the ECA's Annual Audit Reports on the implementation of the EU Budget for 2024 to Charles Deguara, AG, on 26 November 2025 on the ECA Summer School, organised in Malta in June 2026; this event has established itself as a recognised platform that brings together auditors, policymakers, practitioners and academics from across Europe to explore emerging trends in public sector auditing.

Presentations to university students and Malta Communications Authority staff

In line with the Office's outreach policy, and following invitations from Dr Marguerite Camilleri, University Lecturer and Jesmond Bugeja, the Maltese Communications Authority Chief Executive Officer, respectively, from 16 to 17 December, Charles Deguara, AG, delivered two presentations focusing on the role, objectives and work of the NAO to students and staff in the Policy, Politics and Governance Department of the University of Malta and to the staff of the Malta Communications Authority. The high level of engagement of participants during these two events demonstrated the considerable interest by citizens in the Office's work.

Records Management Forum

On 14 January, the National Archives of Malta hosted its 18th Records Management Forum, bringing together records officers from various ministries and government entities. This annual event serves as a platform for sharing insights and best practices in records management across the public sector.

Following a brief introduction by Leonard Callus, National Archivist, the forum featured a short presentation by Robert Micallef, Principal IT Auditor, IT Audits and Operations Section, who was invited to discuss the IT audit report on Document Management Systems that the NAO published in October 2024. His presentation focused on the key findings related to the implementation of, and gaps in, the adoption of document management systems across government, together with the related associated recommendations.

Dr Charles J. Farrugia, Chief Executive Officer and National Archivist, expressed his appreciation of the NAO's comprehensive, diligent work carried out during the audit exercise, acknowledging its value in strengthening good governance and record management practices.

Participation in Parliamentary Committees

Effective interaction between the NAO and Parliament, including its committees, is key to promoting transparency, accountability and the ongoing oversight of public resources. This collaboration facilitates the timely communication of audit findings, supports evidence-based auditing and reinforces the broader governance framework. The NAO actively participates in two standing Parliamentary Committees: the PAC and the National Audit Office Accounts Committee (NAOAC).

Public Accounts Committee

The PAC is essentially entrusted with examining reports issued by the NAO as part of its oversight of public administration and expenditure. In carrying out this function, the PAC has the authority to summon government officials as well as any other person referred to in the NAO report under scrutiny to appear as witnesses and provide explanations related to the respective NAO report.

The AG, DAG, AAGs and other NAO officials attend PAC meetings, as deemed necessary, and play an active and supportive role throughout these proceedings.

Prior to the commencement of the Committee's deliberations on an NAO Report, a presentation is delivered by the AG, or his designated representative, essentially on the key findings, observations and recommendations contained therein.

In 2025, 15 PAC meetings were held. Two NAO reports were discussed during these meetings:

- The Performance Audit Report published in 2024: *Evaluating the role of the Malta Film Commission in promoting the Maltese film industry*; and
- The Financial Audit Report published in 2022: *Ministry for Finance and Employment: An Analysis on Revenue Collection*.

The Committee supplemented the review of the former report by scrutinising also the accounts of the statutory authorities falling under the Ministry for Tourism and the Ministry for Gozo for the years 2020 to 2024. William Peplow, AAG, Performance Audits Section, delivered a presentation on this report to the Committee.

On 21 January Charles Deguara, AG, and the President of the Italian Corte dei Conti delivered an extensive presentation on the progress made in the joint audit on the performance of the Interreg Italy-Malta Programmes. Positive feedback was received from PAC Members regarding this initiative. In addition, Dr George-Marius Hyzler, Maltese Member of the ECA, presented to the Committee on 26 November, the 2024 Annual Report of the ECA.

Presentation by Charles Deguara, AG, and Guido Carlino, President of SAI Italy, to the Public Accounts Committee, on progress made in the joint audit on the performance of the Interreg Italy-Malta Programmes, on 21 January 2025

Through such active participation, the NAO strengthens the PAC's ability to scrutinise audited entities effectively, ensuring that issues identified in audit reports are properly examined and accountability in the use of public resources is upheld. Indeed, the NAO considers the PAC as a very important stakeholder that provides added value to its work.

NAO Accounts Committee

The NAOAC is a separate parliamentary committee responsible for the oversight of the NAO itself and for the approval of transfer of public land to public and private sector entities.

As regards its scrutiny of the NAO, the Committee is responsible for the review of the NAO's financial estimates for the following year as well as the NAO annual report and audited financial statements for the previous year. In 2025, the NAO Annual Report and Financial Statements for 2024 and the NAO Financial Estimates for 2026 were approved on 3 November.

The AG attended all meetings of the NAOAC in 2025.

Participation in other committees

The AG and other NAO officers participated in a number of national committees and working groups established by law or by public sector entities. Through this participation, the Office contributes its expertise and experience on matters relating to governance, accountability, transparency, financial management and public administration, while supporting initiatives aimed at strengthening institutional effectiveness and good governance practices across the public sector.

Judicial Appointments Committee

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

Coordinating Committee against Fraud and Corruption

Charles Deguara, AG, is a member of the Coordinating Committee against Fraud and Corruption, set up in terms of Article 23 of the Internal Audit and Financial Investigations Act (Cap. 461). The committee is chaired by the Director General, Internal Audit and Investigations Department, and is composed of all public sector entities who are involved in the fight against fraud and corruption in public services.

On 28 March, Mr Deguara attended the 9th meeting of this committee. The main agenda item consisted in a discussion on the *National Risk Assessment on Fraud and Corruption*, drawn up in 2024.

Tourism Sustainability Indicators Stakeholder Group

On 1 September, Charles Deguara, AG, and Sergio Tartaglia, Senior Auditor, Performance Audits Section, attended the first meeting of the recently set up Tourism Sustainability Indicators Stakeholder Group at the Malta Tourism Authority (MTA). This group was set up in response to an announcement made during the National Tourism Conference, held in February, by the MTA that the OECD has compiled a set of 37 Malta-specific Tourism Sustainability Indicators.

The objective of this group is to bring together representatives from what the MTA considers to be the most relevant cross-section of stakeholders who will work together to ensure the provision of reliable data for these indicators. During this first meeting, the group had a fruitful virtual meeting with Etienne Caruana, Head of the NSO, on the compilation of data related to this important sector of our economy.

Local Government Good Governance Working Group

Charles Deguara, AG, and Tanya Mercieca, AAG, F&C Audits Section, are members of the Local Government Good Governance Working Group. This working group was established with the objective of promoting, supporting and embedding the principles of good governance in the day to day functioning of local and regional councils, especially through the timely implementation of the recommendations made by the NAO in its *Annual Report on the Workings of Local Government*.

In 2025, Mr Deguara and Ms Mercieca attended two meetings of this working group. The objective of these meetings was to prepare a coordinated training session with input from the NAO, the Local Councils Association and the Local Government Division addressed to all local government staff. This training session was delivered in 2026 and was very well attended.

Other attendance and engagements

The NAO took part in a wide range of additional events and engagements in 2025. These activities, spanning conferences, seminars, workshops and professional fora, reflect the Office's ongoing commitment to continuous learning, knowledge exchange and professional development. Through its active involvement in these fora, the NAO both contributed to and benefited from discussions on emerging trends, challenges and best practices in public sector auditing, strengthening its institutional capacity and supporting the effective delivery of its mandate.

Table 1: Participation in other international events

Event date	Event title	Organiser
22 January	Consultation event on the Reimagining Public Finance initiative	World Bank and INTOSAI
6 February	Working session on Measuring Environmental Performance in the Public Sector	SAI France
11 February	Official visit to the NAO	Audit Authority for Audit of Instrument for Pre-accession Assistance of North Macedonia
12 February	Tourism Strategy Conference	MTA and Malta Tourism Observatory
26 February	EUROSAI Online Meeting for CIOs	EUROSAI ITWG Meeting
12 March	Build and Share – sustaining Malta's Growth seminar	Ernst & Young Malta Limited, Malta Chamber and Times of Malta
13 March	Webinar on Building Resilience with Cyber Threat Intelligence	EUROSAI under the Resilience and Preparedness Initiative
14 March	EUROSAI Online Meeting for CIOs	EUROSAI ITWG Meeting
18 March	Webinar on the INTOSAI report Navigating Global Trends	INTOSAI Supervisory Committee on Emerging Issues
2 April	Safety in an Online World: Cyber Threats, Risks and Resilience business breakfast	Times of Malta in collaboration with Diligex, MITA and Thomas Murray
7 April	Audit English – Writing in Plain Language online workshop	EUROSAI Audit English Project Group
9 April	6th EUROSAI Working Group on Municipality Audit Master Class on Reporting	EUROSAI Working Group on Municipality Audit
9–10 April	European Union Network Audit (EUNA) on Energy conference and workshops	CC EUNA on Energy and the ECA
10 April	Event focusing on how International Business Machines Technology can enable Maltese organisations to address their business transformation challenges	Malta Chamber of Commerce, Enterprise and Industry
11 April	Business breakfast on national productivity	National Productivity Board
11 April	Seminar on the growing challenges SAIs face in accessing and handling protected data under evolving legal and technological landscapes	EU CC

Table 1: Participation in other international events *continued*

Event date	Event title	Organiser
24 April	Seminar on the resilience of critical infrastructure in Europe and the cybersecurity challenges faced by critical information infrastructures	EUROSAI ITWG
29 April	CHANGE: Envisioning Malta's Four Climate Futures	Ernst & Young Malta Limited, Malta Chamber of Commerce, Enterprise and Industry, and the Climate Action Authority
7–8 May	Spring Session of the EUROSAI WGEA on Climate change adaptation and mitigation policies as a challenge for agriculture	EUROSAI WGEA
7–9 May	Maritime Platform Conference	University of Malta
22 May	Virtual Coffee meeting	EUROSAI ITWG
2–3 June	Security of EU Countries from the Perspective of SAIs Conference	SAI Poland
5–6 June	Meeting on the Benefits and Methodologies of Real Time Audit	EUROSAI Strategic Goal 1
6 June	State of the Nation Conference	Office of the President of Malta
10 June	E-conference on Peer Reviews	SAI Slovakia
12 June	Transparency, Fairness and Accountability – Cornerstones of Good Administration Conference	Office of the Parliamentary Ombudsman
20 June	Engage – Malta's Technology Leaders Forum	Ernst & Young Malta Limited
21 June	Public Service Awards Ceremony	Office of the Principal Permanent Secretary
23 June	Opportunity for All: Driving Economic Growth. Creating Careers Conference	Malta Film Commission
12 September	Online session of the EUNA on Energy	ECA
29 September	Online session on the role of strategic planning in strengthening audit performance and enhancing the impact of SAIs in the public sector	EUROSAI
2 October	3rd Annual Public Procurement Law Conference	Ganado Advocates
8 October	Webinar on Major Legal Developments 2025	Society Education
15–16 October	EUROSAI Capacity Building Seminar	SAIs of Poland and Sweden
31 October	Legal Experts' Meeting on SAI Independence EUROSAI Regional Workshop	SAI Poland
6–7 November	20th Data Protection Compliance Conference	Provider for Data Protection Conferences
25 November	Online talk on AI in the Audit Process	IDI
3 December	Seminar as part of Transforming Tourism Masterclass series Cracking the Tourist Code: Understanding the 4 Types of Tourists and Their Hidden Desires	Malta Tourism Observatory and t-Forum Malta
4–5 December	Local Councils Association EXPO 2025	Local Councils Association

Finance and Administration and Support Services

Resource utilisation and budget overview

Overview of financial performance

In 2025, the Office incurred total operating expenditure of €5.64 million, representing an increase of €1.58 million over the €4.06 million recorded in 2024. This increase was primarily driven by higher staff salaries following the implementation of the new Collective Agreement, as well as additional operational expenditure incurred during the year.

Expenditure analysis

The most significant increase was recorded in salaries, which rose to €4.6 million, an increase of approximately €1.4 million when compared to 2024. This increase is largely attributable to the implementation of the new Collective Agreement covering the period 2025–2030, signed in November 2025 with UĦM – Voice of the Workers, which replaced the previous agreement that expired at the end of December 2024. The agreement, which was concluded following extensive negotiations that lasted around nine months, resulted in a substantial increase in overall remuneration levels, reflecting the outcome of the benchmarking exercise undertaken to align salaries with comparable roles of the accounting and auditing profession within the Civil Service and public sector entities.

This significant increase in employee-related costs also reflects the Office's commitment to the retention of its highly competent and qualified human resources. Given the specialised nature of its functions, the Office seeks to maintain low staff turnover and preserve institutional knowledge and expertise. Accordingly, adjustments to remuneration under the new Collective Agreement were considered necessary to ensure competitiveness with comparable roles in both the public sector (especially public sector entities) and the private sector.

Part of the €1.4 million increase in salaries, amounting to approximately €250,000, can be attributable to changes in staffing levels, reflecting an average increase of five employees during the year. The average number of employees increased from 64 in 2024 to 69 in 2025, before stabilising at 66 employees by year-end.

Hospitality expenditure also increased significantly, mainly due to the hosting of the prestigious EU CC Meeting, held in November, as well as other international events held during the year.

Additional increases were recorded in professional fees and contractual services. The increase in professional fees is primarily attributable to consultancy services engaged for recruitment processes and the undertaking of an investigative audit. The increase in contractual services reflects the outsourcing of a new receptionist.

Further increases were recorded in repairs and maintenance and printing costs. These were partially offset by reductions in travel, information services, training and depreciation.

Overall, the increase in expenditure is largely structural in nature, driven primarily by higher staff costs, with an additional one-off operational expenditure in hospitality contributing to the overall rise.

Table 2: Operating expenditure for 2024 and 2025 together with variance

Operating expenditure	2025	2024	Variance	Variance
	€	€	€	%
Salaries	4,600,980	3,203,051	1,397,929	43.64
Local councils fees	318,246	319,427	(1,181)	(0.37)
Utilities	21,693	22,074	(381)	(1.73)
Materials and supplies	4,705	4,167	538	12.91
Repairs and maintenance	80,617	64,064	16,553	25.84
Rent	13,138	13,138	-	-
International membership	1,009	1,009	-	-
Office services	56,161	39,337	16,824	42.77
Transport	16,581	19,721	(3,140)	(15.92)
Travel	61,701	80,451	(18,750)	(23.31)
Information services	10,801	18,229	(7,428)	(40.75)
Contractual services	101,361	64,162	37,199	57.98
Professional fees	113,067	59,145	53,922	91.17
Training	15,600	12,143	3,457	(28.47)
Hospitality	21,278	27,510	(6,232)	22.65
EU CC Meeting and hosting of other working groups	102,193	-	102,193	-
Bank charges	143	105	38	36.19
Depreciation	105,360	110,235	(4,875)	(4.42)
Totals	5,644,634	4,057,968	1,586,666	39.10

The Office also recorded an increase in service gratuity and pension-related costs, arising both from amounts payable to the Treasury and from additional provisions recognised in the financial statements, reflecting the cost sharing arrangement applicable under Pensions Ordinance (Cap. 93). This increase was primarily attributable to the retirement of a senior officer covered by the pre-1979 Treasury pension. Such non-operational costs are largely dependent on the timing of retirements and are not recurring in nature – apart from being a transfer of government funds from one entity to the other.

Resource utilisation of operating expenditure

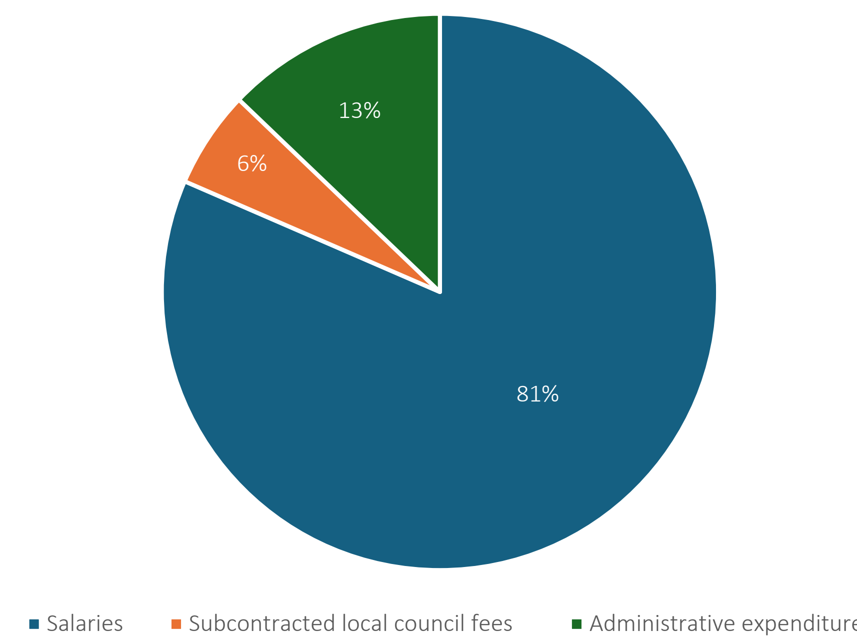
An analysis of operating expenditure indicates that the Office's cost structure remains predominantly staff driven.

As already mentioned, employee salaries accounted for €4.6 million, representing approximately 81.5% of total operating expenditure. Expenditure relating to the audits of the local councils, which are subcontracted, amounted to €318,246, or 6% of total expenditure. This is expected to rise in view of the issuance of a new tender for the provision of private auditors' services in May 2026 (and still ongoing at date of publication of this report).

The remaining expenditure totalled €725,408, representing 13% of total costs. This covered utilities, repairs and maintenance, office services, professional fees, hospitality, travel and other operational support costs.

Overall, the Office's resource utilisation reflects a high reliance on human capital, with non-staff costs representing a comparatively limited share of total expenditure.

Figure 4: 2025 Operating costs



A detailed analysis of salary expenditure by section indicates that the majority of staff costs are directly attributable to the Office's core audit functions. In 2025, approximately 76% of the total salary expenditure was incurred in direct support of audit activities, with the remaining 24% being related to indirect and administrative functions.

Within direct costs, the largest share of expenditure was allocated to F&C Audits (35%), followed by Performance Audits (23%) and SA&I (13%). Additional direct support was provided through IT Audits (5%).

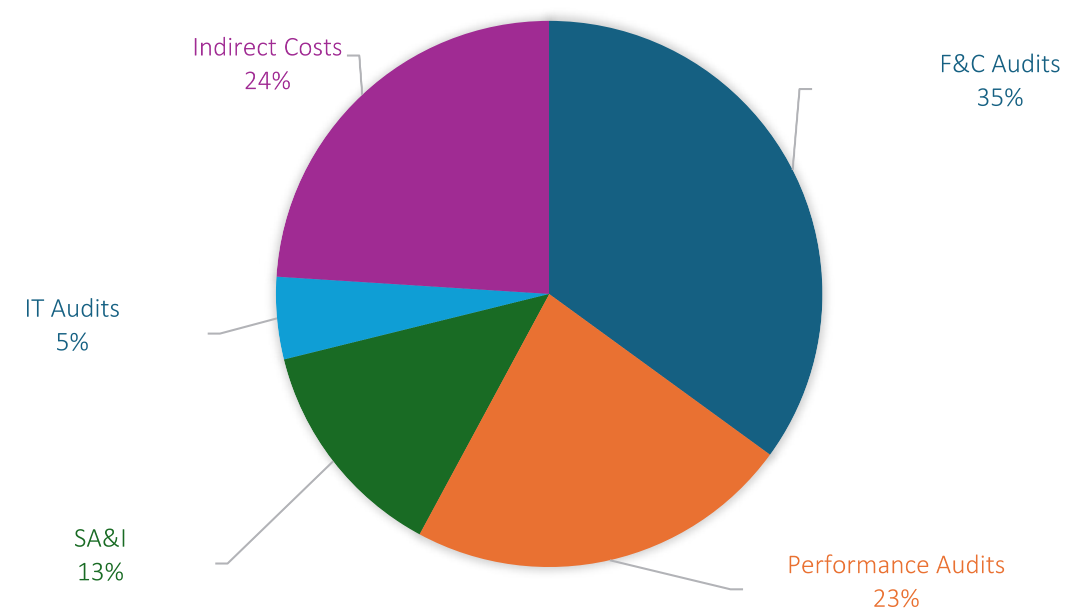
The remaining expenditure relates to support functions, including Finance and Administration, IT support, Research and International Affairs, Registry and Messenger services, which together ensure the effective functioning of the Office.

This distribution demonstrates that the substantial majority of the Office's human resource expenditure is directed towards the delivery of its core mandate, namely the conduct of financial, performance, investigative and IT audits.

Table 3: Analysis of salaries 2025

Analysis of salaries 2025	Amounts	Percentages
	€	%
F&C Audits	1,611,080	35
Performance Audits	1,051,560	23
SA&I	610,752	13
IT Audits	223,675	5
Finance and Administration	279,007	6
IT Support and Desktop Publishing	199,079	4
Research and International Affairs	134,949	3
Registry and Public Relations	125,750	3
Messengers and Receptionist	115,105	3
Other	250,023	5
Totals	4,600,980	100

Figure 5: Salaries 2025



Comparison with budget

In 2025, the Office received a government allocation of €4.45 million, based on the budgetary estimates below submitted to the NAOAC and the Ministry for Finance. During 2025, the Office incurred total operating expenditure of €5.64 million, resulting in an operating shortfall of approximately €1.23 million.

Table 4: Budget versus actual

	Budget 2025	Actual 2025	Variance	Variance
	€	€	€	%
Salaries	3,551,000	4,600,980	(1,049,980)	(29.57)
Local councils fees	318,000	318,246	(246)	(0.08)
Utilities	24,000	21,693	2,307	9.61
Materials and supplies	6,000	4,705	1,295	21.58
Repairs and maintenance	58,000	80,617	(22,617)	(38.99)
Rent	13,138	13,138	-	-
International membership	1,000	1,009	(9)	(0.90)
Office services	60,000	56,161	3,839	6.40
Transport	15,000	16,581	(1,581)	(10.54)
Travel	40,000	61,701	(21,701)	(54.25)
Information services	2,000	10,801	(8,801)	(440.05)
Contractual services	62,000	101,361	(39,361)	(63.49)
Professional fees	65,000	113,067	(48,067)	(73.95)
Training	15,000	15,600	(600)	(4.00)
Hospitality	15,000	21,278	(6,278)	(41.85)
EU CC Meeting and hosting of other working groups	50,000	102,193	(52,193)	(104.39)
Bank charges	350	143	207	59.14
Depreciation	120,000	105,360	14,640	12.20
Totals	4,415,488	5,644,634	(1,229,146)	(27.84)

Financing of operating deficit

The operating deficit for 2025 was financed through accumulated surpluses generated in prior years. Consequently, the Office was able to absorb the excess of expenditure over government allocation without the need to seek supplementary budgetary estimates.

Capital expenditure and resource centre project

In 2025, the Office was allocated a capital vote of €1.5 million for the construction of a Resource Centre annexed to the main building. However, only €0.5 million of this allocation was utilised up to end 2025, due to reasons beyond NAO's control as explained in the following paragraphs.

Expenditure was primarily limited to preparatory works, including repairs and upgrading of the underground water cistern, landscaping works, archaeological monitoring, excavation cleaning works and related site preparation.

Progress on the project was delayed due to the need for additional approvals, including a revised permit for the car park and additional electrical requirements within the Police Department, which affected the capacity of the existing Enemalta substation. Following discussions with Enemalta, it was agreed that separate Main Distribution Boards should be installed for both the NAO and the Department of Contracts.

Further adjustments were required following the decision to relocate the generator, necessitating the demolition, relocation and reconstruction of the Department of Contracts Director General's garage, as well as the construction of an emergency access staircase.

Additional works include Main Distribution Boards infrastructure, sanitary facilities for both entities and the development of a generator area.

Overall, expenditure reflects the preparatory and regulatory nature of works undertaken during the year, with more substantial capital outlays expected as the project progresses.

Summing up, in 2025, the Office experienced a significant increase in operating expenditure, primarily driven by the revised salary packages that followed the latest Collective Agreement signed in November 2025. While the outcome of the new Collective Agreement was the main contributory factor to the operating deficit sustained in 2025, the financial position of the Office remained stable due to the prudent maintenance of accumulated surpluses from previous years.

The Office's expenditure profile continues to reflect a strong reliance on the experienced and qualified human resources, with the majority of funds allocated to sustaining audit capacity. Variations in other expenditure categories were largely linked to operational requirements and one-off activities.

From a capital perspective, although progress on the Resource Centre project was slower than anticipated due to regulatory and technical constraints, the necessary groundwork has been established for subsequent phases of development.

Overall, the Office maintained sound financial management, demonstrating its ability to manage expenditure pressures while continuing to support its strategic objectives. The financial statements were duly approved by the auditors without any qualification or negative comments.

Support services overview

During 2025, the IT Operations Section ensured the reliability, security and efficiency of the NAO's Information and Communications Technology (ICT) environment. Its responsibilities included the continuous monitoring and maintenance of the Office's ICT infrastructure, systems and services, as well as the management of third-party IT service providers.

The Section provided ongoing technical support to staff, including onboarding of new employees, day-to-day troubleshooting and technical assistance during meetings, presentations and official events. It also coordinated the procurement of ICT equipment and peripherals, carrying out technical assessments to ensure that acquisitions met operational requirements and delivered value for money.

Efforts were also directed at supporting network and firewall upgrades, increasing network bandwidth, deploying virtual private network access, upgrading compatible devices to Windows 11 and undertaking preparatory work for the implementation of the new Microsoft Outlook environment. It also contributed to strengthening cybersecurity and compliance through certification initiatives, the renewal of security certificates, and the review and remediation of vulnerabilities identified through security scans. In parallel, it maintained close collaboration with MITA and external service providers on ICT projects and system integration matters.

Other ad hoc activities included updating the Office's digital branding across systems and platforms, preparing energy consumption reports, producing user guidance materials, and providing photography and technical support during official events.

The Section catered for all desktop publishing work, maintained the ICT asset register and continued to provide related support to audit teams.


Part two

Annual Report and Financial Statements

31 December 2025

GENERAL INFORMATION

Description
The NAO is established under Article 108 of the Constitution of Malta.

Auditor General
Charles Deguara

Deputy Auditor General
Noel Camilleri

Office
National Audit Office
Notre Dame Ravelin
Floriana FRN 1601
Malta

Bankers
APS Bank plc
APS Centre
Tower Street
Birkirkara BKR 4012
Malta

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

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE

The Auditor General presents his annual report, together with the financial statements of the National Audit Office (the 'Office' or 'NAO'), for the year ended 31 December 2025.

Principal Activities

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

Review of Results

The NAO published a total of 10 reports with an average staff complement of 69 persons (equivalent to 65 full-timers). The reports consisted of an annual report on the public accounts of 2024, an annual report on the audited financial statements of the local government for year ending 2024, five performance audit reports, one special audit and investigation, the annual report and financial statements of the Office for 2024 and one follow-up audits report.

Year	Amount approved by NAO Accounts Committee and authorised by the House of Representatives	Amount withdrawn	Surplus/ (Loss)	Number of Reports published	Average Staff Complement (full head count)
	€	€	€		
2017	3,150,000	3,150,000	42,160	14	63
2018	3,400,000	3,400,000	221,428	17	60
2019	3,500,000	3,500,000	119,862	11	61
2020	3,800,000	3,600,000	87,304	19	64
2021	3,850,000	3,850,000	291,540	15	64
2022	3,900,000	3,900,000	374,936	14	63
2023	4,200,000	4,200,000	452,868	14	62
2024	4,000,000	4,000,000	(90,763)	11	64
2025	4,450,000	4,450,000	(1,659,371)	10	69

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE – continued

Published Reports

Financial and Compliance Audits

i. Report by the Auditor General on the Public Accounts for the year 2024
ii. Report by the Auditor General on the Workings of Local Government for the year 2024

Performance Audits

i. Climate Change Adaptation – Evaluating Malta's efforts relating to Flooding and Sea Level Rise
ii. An Assessment on the Inspections Coordination System
iii. A review of Malta's climate action using the Climate Scanner framework
iv. Home-based Medical and Clinical Services for the Elderly
v. Joint Audit by the Italian Corte dei Conti and Malta's National Audit Office on the Intereg V A Italy Malta Programme

Special Audits and Investigations

i. The Government's rescission of restrictions on the site of the Fortina Hotel

Others

i. National Audit Office Annual Report and Financial Statements – 2024
ii. Follow-up Audits Report by the National Audit Office – 2025 Volume I

Financial Review

The NAO incurred total operating expenditure of €5.64 million in 2025, compared to €4.06 million recorded in 2024. This represents an increase of approximately €1.58 million, primarily driven by higher salaries and personnel expenses.

Salaries increased by approximately €1.4 million, largely attributable to the implementation of the new Collective Agreement (2025–2030) signed on 14 November 2025 with UĦM – Voice of the Workers. This Agreement, concluded following extensive negotiations spanning approximately nine months, reflects the outcome of a benchmarking exercise undertaken to align NAO salary structures with comparable roles within the Civil Service and the wider public sector.

The increase in remuneration also reflects the Office's strategic priority to retain its human resources in light of the specialised nature of its functions, thereby maintaining the relatively low levels of staff turnover experienced in recent years.

Of the €1.4 million increase in salaries, approximately €250,000 is attributable to changes in staffing levels, reflecting an average increase of five employees during the year. A total of thirteen employees were recruited during 2025, while six employees retired, four resigned, and one availed of long-term unpaid leave. The Office commenced the year with a headcount of 64 employees, with this figure stabilising at 66 employees by year-end.

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE – continued

Financial Review – continued

Another notable increase in operating expenditure was recorded in hospitality, which rose significantly due to the hosting of the EU CC Meeting held in Malta on 19 and 20 November 2025. This forum brings together the Heads of EU SAIs to discuss audit-related matters of common interest, exchange best practices, and enhance coordination.

Further increases were noted in professional fees, contractual services, repairs and maintenance, and printing costs, reflecting additional operational requirements during the year.

The total operating expenditure of €5.64 million, together with the increase in pension-related costs, contributed to an overall deficit of approximately €1.66 million when compared to the Government recurrent allocation of €4.45 million.

Pension and service gratuity costs increased during the year by approximately €435,000, arising from both amounts payable to the Treasury and additional provisions recognised in the financial statements, in line with the cost-sharing arrangement applicable to such obligations. This increase was primarily attributable to the retirement of a senior employee covered by pre-1979 Treasury pension arrangements. Such costs are largely dependent on the timing of retirements and are not recurring in nature.

The operating deficit was financed through available cash reserves, which amounted to approximately €1 million at the beginning of the year. The Office was therefore able to absorb the 2025 deficit without the need to seek supplementary budgetary estimates. While pension-related costs remained partly outstanding at year-end, the associated increase in provisions represents a non-cash accounting adjustment. Accordingly, the Office maintained a sound financial position despite the deficit recorded during the year.

Capital Commitments

In 2025, the Office was allocated a capital vote of €1.5 million for the construction of a Resource Centre annex to the main building. As at year-end, €0.5 million of this allocation had been utilised, primarily on preparatory works, including repairs and upgrading of the underground water cistern, landscaping works, archaeological monitoring, and excavation cleaning works.

Progress on the project was affected by delays related to the need for additional permits, including a revised car park permit and the development of infrastructure to accommodate a new generator capable of meeting increased electricity demand. These requirements arose partly due to capacity constraints within the existing Enemalta substation, which is shared with other entities.

The additional approvals, secured during 2025, are expected to result in a revised project completion timeline extending to 2028.

The costs associated with permits and related approval processes have been absorbed within the €0.5 million expenditure incurred to date.

REPORT OF THE AUDITOR GENERAL OF THE NATIONAL AUDIT OFFICE – continued

Reserves

After accounting for the deficit of €1,659,371, the closing balance of accumulated losses in the statement of financial position at the end of the year amounted to €784,609. This balance is being carried forward to the next financial period.

CHARLES DEGUARA
Auditor General

NOEL CAMILLERI
Deputy Auditor General

National Audit Office
Notre Dame Ravelin
Floriana FRN 1601
Malta

3 July 2026

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 €	2024 €
Government subvention	*6*	4,450,000	4,000,000
Other income	*7*	6,175	3,000
Operating expenditure			
Salaries and personnel expenses	*8*	(4,600,980)	(3,203,051)
Administrative and other expenses	*9*	(725,408)	(535,490)
Subcontracted audit fees of local councils		(318,246)	(319,427)
		(5,644,634)	(4,057,968)
Results from operating activities before pension costs		(1,188,459)	(54,968)
Provision for service pensions and gratuities	*11*	(471,062)	(36,013)
Results from operating activities		(1,659,521)	(90,981)
Bank interest receivable		150	218
Deficit for the year		(1,659,371)	(90,763)
Total comprehensive loss for the year		(1,659,371)	(90,763)

The accounting policies and explanatory notes on pages 113 to 125 form an integral part of the financial statements.

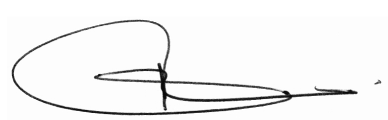
STATEMENT OF FINANCIAL POSITION
as at 31 December 2025

	Notes	2025 €	2024 €
ASSETS			
Non-current assets			
Property and equipment	*10*	819,453	381,702
Current assets			
Debtors and prepayments		18,969	117,616
Cash and cash equivalents	*13*	1,046,726	1,081,078
		1,065,695	1,198,694
Total assets		1,885,148	1,580,396
RESERVES AND LIABILITIES			
Non-current liabilities			
Provision for service pensions and gratuities	*11*	362,400	143,195
Deferred Government subvention on capital expenditure	*14*	1,600,000	-
		1,962,400	143,195
Current liabilities			
Payables	*12*	624,505	502,518
Provision for service pensions and gratuities	*11*	82,852	59,921
		707,357	562,439
Total liabilities		2,669,757	705,634
Reserves			
Accumulated funds		(784,609)	874,762
Total liabilities and reserves		1,885,148	1,580,396

The accounting policies and explanatory notes on pages 113 to 125 form an integral part of the financial statements.

The financial statements on pages 109 to 125 have been authorised for issue on 3 July 2026 by:

CHARLES DEGUARA
Auditor General



NOEL CAMILLERI
Deputy Auditor General

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 December 2025

	Accumulated funds €
Balance at 1 January 2024	965,525
Total comprehensive loss for the year	
Deficit for the year	(90,763)
Balance at 31 December 2024	874,762
Balance at 1 January 2025	874,762
Total comprehensive loss for the year	
Deficit for the year	(1,659,371)
Balance at 31 December 2025	(784,609)

The accounting policies and explanatory notes on pages 113 to 125 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Note	2025 €	2024 €
Cash flows from operating activities			
Deficit for the year		(1,659,371)	(90,763)
Non-cash adjustments to reconcile deficit to net cash flows:			
Depreciation		105,360	110,235
Bank interest receivable		(150)	(218)
Provision for service pensions and gratuities		471,062	36,013
		(1,083,099)	55,267
Movement in debtors and prepayments		65	(7,575)
Movement in payables		221,987	19,734
Movement in provision for service pensions and gratuities		(228,926)	(61,604)
Cash (used in)/generated from operating activities		(1,089,973)	5,822
Bank interest received		150	218
Net cash (used in) / from operating activities		(1,089,823)	6,040
Cash flows used in investing activities			
Building improvements and purchase of equipment		(38,368)	(21,508)
Assets under construction		(406,161)	-
Cash used in investing activities		(444,529)	(21,508)
Cash flows from financing activities			
Capital subvention		1,500,000	-
Cash from financing activities		1,500,000	-
Net decrease in cash and cash equivalents		(34,352)	(15,468)
Cash and cash equivalents at 1 January		1,081,078	1,096,546
Cash and cash equivalents at 31 December	*13*	1,046,726	1,081,078

The accounting policies and explanatory notes on pages 113 to 125 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The NAO has been set up to:

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.2.1 Going Concern

The Office's ability to continue as a going concern is safeguarded by the Constitution of Malta and the Auditor General and National Audit Office Act, which guarantee the establishment and continuous operation of a state audit institution that is funded by government, while allowing it to remain autonomous and independent from any government authority.

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

Furthermore, the operation of a state audit institution has become a fundamental international requirement for any country to safeguard its system of public finances; so much so that, as of the present date, state audit institutions from 195 countries (including Malta) are full members of INTOSAI.

2.3 Functional and presentation currency

These financial statements are presented in Euro, which is the Office's functional currency.

2.4 Use of estimates and judgements

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2. BASIS OF PREPARATION – continued

2.4 Use of estimates and judgements - continued

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

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards and amendments to IFRSs effective as of 1 January 2025. The adoption of these standards or interpretations did not have a material impact on the Office's financial statements or performance.

2.6 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2026 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the Office's financial statements, on initial application.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

3.1 Government of Malta subventions

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

Government subventions allocated to the office for capital expenditure are included in liabilities as deferred government subvention on capital expenditure and are credited to the statement of comprehensive income over the expected life of the related asset.

3.2 Finance income

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.3 Financial instruments

Non-derivative financial assets – recognition and derecognition

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

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

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

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

Non-derivative financial liabilities – recognition and derecognition

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

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

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

Non-derivative financial assets – measurement

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

Non-derivative financial liabilities – measurement

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.4 Cash and cash equivalents

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

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

3.5 Property and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.5 Property and equipment – continued

Depreciation

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

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

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

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

3.6 Impairment

Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.6 Impairment – continued

Non-financial assets

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

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

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

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

3.7 Employee benefits

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

3.8 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

3.9 Leases

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

4. DETERMINATION OF FAIR VALUES

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

Receivables

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

Payables

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

5. FINANCIAL RISK MANAGEMENT

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

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

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

Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

5. FINANCIAL RISK MANAGEMENT – continued

Liquidity risk

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

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

Market risk

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

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

6. GOVERNMENT SUBVENTION

	2025	2024
	€	€
Authorised by the House of Representatives	4,450,000	4,000,000
Amounts withdrawn	4,450,000	4,000,000

7. OTHER INCOME

	2025	2024
	€	€
Audit fee income from a non-Governmental organisation	6,000	3,000
Other	175	-
	6,175	3,000

NOTES TO THE FINANCIAL STATEMENTS – continued

8. SALARIES AND PERSONNEL EXPENSES

	2025	2024
	€	€
Salaries	4,418,820	3,034,902
Social security contributions	182,160	168,149
	4,600,980	3,203,051

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

	2025	2024
	No.	No.
Senior management	6	6
Operating	50	44
Research and international affairs	2	2
Administration and IT	9	9
Messenger staff	2	3
	69	64
Equivalent number of full-time employees	65	59

During the year, a total of 15 persons (2024: 15) worked on a reduced hours basis. This is equivalent to 22% (2024: 23%) of the workforce.

9. EXPENSES BY NATURE

	2025	2024
	€	€
Auditors' remuneration	7,583	7,434
Professional fees	105,484	51,711
Depreciation of property and equipment	105,360	110,235
Learning and professional development	15,600	12,143
EU CC meeting and hosting of other working groups	102,193	-
Other administrative expenses	389,188	353,967
Total administrative and other expenses	725,408	535,490

NOTES TO THE FINANCIAL STATEMENTS – continued

10. PROPERTY AND EQUIPMENT

	Building improvements	Equipment	Computer equipment and software	Motor vehicles	Furniture and fittings	Assets under construction	Totals
	€	€	€	€	€	€	€
Cost							
At 1 January 2024	996,215	148,164	191,041	132,560	162,627	-	1,630,607
Additions	-	2,628	16,796	-	2,084	-	21,508
At 31 December 2024	**996,215**	**150,792**	**207,837**	**132,560**	**164,711**	**-**	**1,652,115**
At 1 January 2025	996,215	150,792	207,837	132,560	164,711	-	1,652,115
Additions (i)	-	7,471	23,575	-	7,322	504,743	543,111
Write-offs/disposals	-	-	(19,233)	-	-	-	(19,233)
At 31 December 2025	**996,215**	**158,263**	**212,179**	**132,560**	**172,033**	**504,743**	**2,175,993**
Depreciation							
At 1 January 2024	647,474	118,698	178,646	91,762	123,598	-	1,160,178
Depreciation charge for the year	68,715	10,040	12,656	13,200	5,624	-	110,235
At 31 December 2024	**716,189**	**128,738**	**191,302**	**104,962**	**129,222**	**-**	**1,270,413**
At 1 January 2025	716,189	128,738	191,302	104,962	129,222	-	1,270,413
Depreciation charge for the year	60,961	10,260	18,795	9,200	6,144	-	105,360
Released upon write-off/disposal	-	-	(19,233)	-	-	-	(19,233)
At 31 December 2025	**777,150**	**138,998**	**190,864**	**114,162**	**135,366**	**-**	**1,356,540**
Carrying amount							
At 31 December 2025	**219,065**	**19,265**	**21,315**	**18,398**	**36,667**	**504,743**	**819,453**
At 31 December 2024	280,086	22,054	16,535	27,598	35,489	-	381,702

(i) During the financial year 2025, following the attainment of the necessary planning permits for the proposed capital project, the Office capitalised prepaid expenses amounting to €98,582 incurred during 2024 to assets under construction.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. PROVISION FOR SERVICE PENSIONS AND GRATUITIES

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

	2025	2024
	€	€
Non-current	**362,400**	143,195
Current	**82,852**	59,921
	445,252	203,116

Of the non-current portion of the provision, an amount of €203,535 (2024: €61,956) refers to payments to be made after more than five (5) years from the reporting date. The movement in this provision for the current and comparative year is as follows:

	2025	2024
	€	€
Service pensions and gratuities as at 1 January	**203,116**	228,707
Movement in provisions during the year	**471,062**	36,013
Provisions used during the year	**(228,926)**	(61,604)
Service pensions and gratuities as at 31 December	**445,252**	203,116

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

There are 11 persons (2024: 10 persons) who joined the Civil Service prior to 1979 but retired as full-time employees from the NAO. There are no further persons eligible to pension and gratuity rights as provided by the Pensions Ordinance.

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

The provision for service pensions and gratuities as at 31 December 2025 is arrived at by discounting the post-employment benefit obligations of the Office using the year-end yield to maturity of 3.44% on 7% 2033 II Government bonds (2024: 2.81% on 5.25% 2030 I Government bonds). The post-employment benefit obligations are computed after taking into consideration the following assumptions:

Average life expectancy of males and females is 80 and 85 years, respectively (2024: males and females of 80 and 85 years, respectively), based on data published in the National Statistics Office Demographic Review.

NOTES TO THE FINANCIAL STATEMENTS – continued

12. PAYABLES

Due within one year	2025	2024
	€	€
Operational and capital payables	62,696	24,251
Accrued expenses	332,883	316,663
Amount due to Treasury for pension contributions	228,926	61,604
Deferred Government subvention on capital expenditure	-	100,000
	624,505	502,518

13. CASH AND CASH EQUIVALENTS

	2025	2024
	€	€
Cash at bank	1,046,383	1,080,673
Cash in hand	343	405
	1,046,726	1,081,078

14. DEFERRED GOVERNMENT SUBVENTION ON CAPITAL EXPENDITURE

Government subvention on capital expenditure relates to transfers from Government to finance the assets under construction referred to in Notes 10 and 15.

	2025
	€
Subvention received in prior years (i)	100,000
Subvention received during the year	1,500,000
	1,600,000
Non-current liabilities	1,600,000

(i) Deferred Government subvention received in prior years was classified as payables up to year ended 31 December 2024. This amount has been reclassified to deferred Government subvention on capital expenditure to conform with current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS – continued

15. CAPITAL COMMITMENTS

As at 31 December 2025, the NAO had the following commitments for capital expenditure not provided for in these financial statements:

	2025	2024
	€	€
Authorised and contracted for	307,000	406,161
Authorised and not contracted for	1,988,000	1,093,839
	2,295,000	1,500,000

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the National Audit Office (the "Office") which comprise the statement of financial position as at 31 December 2025 and the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Office as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for opinion

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

Other information

The Auditor General is responsible for the other information. The other information, which we obtained at the date of the auditor's report comprises the General Information and the Report of the Auditor General of the National Audit Office, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

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

Other information – ***continued***

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

Responsibilities of the Auditor General for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor General.

- conclude on the appropriateness of the Auditor General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.

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

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

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

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

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

Ernst & Young Malta Limited
Certified Public Accountants

3 July 2026

A member firm of Ernst & Young Global Limited.
Registered in Malta No: C30252

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

July 2025	Performance Audit: An assessment on the Inspections Coordination Office Initiative
July 2025	Follow-up Audits Report 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
July 2026	Follow-up Audit Reports by the National Audit Office Volume I 2026
July 2026	Joint Audit: Government Leasing of Private Property – Insights from selected case studies