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Permanent Secretary

Governance

Action on the NAO's Annual Report 2014

Public Accounts

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This is another first. Two years ago we started giving an account of how this administration is realising its budgetary aims - a meticulous and honest account which collates the plans and monitoring of an entire year so as to ensure that what had been announced in the budget is carried out in the best possible manner. Two years ago we also started giving an account of how we are simplifying the processes so that the public service's clients are better served.

These, along with a number of other measures, are all helping the public service to make new inroads in its continued development. Developments that have come at just the right moment and which are helping to renew the public service which has to keep up with its clients' expectations and reach out to them rather than letting them seek it out themselves - this is essentially the concept behind the regional one-stop shops, together with the upgrading of the online services which we are working on so as to inaugurate later this year. Indeed, next year the public service will become even more convenient to the citizenry, with public services being made available on mobile phones so as to bring yet closer the vision that the public service has set for itself, that is, to provide a 24-hour service every day of the week throughout the entire year.

This publication presents another measure of public accountability. Year after year, the Auditor General (National Audit Office - NAO) publishes an annual report highlighting his conclusions following the conduct of financial and compliance audits of governmental departments and entities. Furthermore, the Auditor General suggests recommendations to consolidate and improve upon the management and proper discharge of public funds. Year after year, one sees the same recommendations repeatedly suggested by the Auditor General; this means in effect that the recommendations were falling on deaf ears. This publication is a reply to the NAO report. The public service answers by drawing an action plan to implement the suggested recommendations found therein, by confirming or otherwise whether the recommendations are being taken on board and included in the respective Ministry plan, indicating clear actions and specific timeframes for implementation.

Whenever the public service deemed particular recommendations suggested by the Auditor were unfeasible for implementation, a detailed explanation was provided.

This report was a highly challenging task because the initial stages always require more work to be rendered fruitful. Consequently, we did not rely solely on the detailed recommendation implementation plans sent to us by the Ministries as to how they were complying with the recommendations of the NAO. The Internal Audit and Investigations Department (IAID) was engaged by this Office to perform a follow-up audit review on the corrective action presented by the respective permanent secretaries. Based on the procedures performed, the IAID is of the opinion that the corrective actions presented by the Permanent Secretaries in this report represent a true and fair view of the actions implemented, and that they generally address the recommendations suggested by the NAO in the 'Annual Audit Report - Public Accounts 2014'.

Accountability is not a word that is merely there to be uttered: public accountability and audit are being safeguarded and prioritized by facts. The aim is to ensure that sufficient, effective and timely follow up action is being taken on valid, reliable, relevant and reasonable audit recommendations. Publications such as the one being presented reassure and give evidence that the public service, which is currently being renewed, has put on the top of its agenda accountability which extends not solely to public funds, but also to the quality of the service on offer.

Mario Cutajar
Principal Permanent Secretary

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List of Abbreviations

AAR	Annual Audit Report
AFM	Armed Forces of Malta
AG	Attorney General
ARR	Arrears of Revenue Return(s)
AVS	Attendance Verification System
BFID	Benefit Fraud and Investigation Department
BO	Budget Office
BOT	Board of Trustees
CapEx	Capital Expenditure
CBM	Central Bank of Malta
CCoF	Central Co-operative Fund
CD	Customs Department
CDRT	Centre for Development, Research and Training
CEO	Chief Executive Officer
CIO	Chief Information Officer
COJ	Courts of Justice
COLA	Cost of Living Adjustment
CPSU	Central Procurement and Supplies Unit
CVB	Conservatorio Vincenzo Bugeja
DAS	Departmental Accounting System
DC	Department of Contracts
DCS	Director Corporate Services
DES	Directorate for Educational Services
DFA	Directorate for Finance and Administration
DG ECFIN	Directorate General for Economic and Financial Affairs
DHPP	Department of Health, Policy and Planning
DMD	Debt Management Directorate
DO	Direct Order(s)
DPM	Deputy Prime Minister
DSS	Department of Social Security
EAMS	Euro Area Member States
ECB	European Central Bank
ECCD	Elderly and Community Care Department
EDA	Extra Duty Allowance
EFSF	European Financial Stability Facility
EGRD	EcoGozo Regional Development Directorate
EO	Executive Officer
EPD	Economic Policy Department
EPI	Economic Policy Institute
ESC	Eurovision Song Contest
ESM	European Stability Mechanism
ETC	Employment and Training Corporation
EU	European Union

FIC	Fortifications Interpretation Centre
FMS	Fleet Management System
FR	Financial Report
FS4	Payee Status Declaration Form
FSS	Final Settlement System
FSWS	Foundation for Social Welfare Services
GDP	Gross Domestic Product
GGH	Gozo General Hospital
GPD	Government Property Department
GPDMA	Government Borrowing and Public Debt Management Act
HR	Human Resources
IAID	Internal Audit and Investigations Department
IAS	International Accounting Standard
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
IPSL	Industrial Projects and Services Ltd
IRD	Inland Revenue Department
ISA	International Standards on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
JESC	Junior Eurovision Song Contest
KOLS	Koperattiva Linen Service Ltd
LA	Letter of Acceptance
LPO	Local Purchase Order
MCA	Malta Communications Authority
MCAST	Malta College of Arts, Science and Technology
MCC	Mediterranean Conference Centre
MCCAA	Malta Competition and Consumer Affairs Authority
MCH	Mount Carmel Hospital
MCST	Malta Council for Science and Technology
MDH	Mater Dei Hospital
MEAIM	Ministry for the European Affairs and Implementation of the Electoral Manifesto
MECW	Ministry for Energy and the Conservation of Water
MEDE	Ministry for Education and Employment
MEH	Ministry for Energy and Health
MEIB	Ministry for the Economy, Investment and Small Business
MEPA	Malta Environment and Planning Authority
MESC	Malta Eurovision Song Contest
MFIN	Ministry for Finance
MFSA	Malta Financial Services Authority
MFSS	Ministry for the Family and Social Solidarity
MGA	Malta Gaming Authority
MGI	Malta Government Investments Ltd
MGOZ	Ministry for Gozo
MGS	Malta Government Stocks
MHAS	Ministry for Home Affairs and National Security

MIP	Malta Industrial Parks Ltd
MITA	Malta Information Technology Agency
MITTS	Malta Information Technology and Training Services Ltd
MJCL	Ministry for Justice, Culture and Local Government
MPO	Malta Philharmonic Orchestra
MSDC	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties
MSE	Malta Stock Exchange
MTI	Ministry for Transport and Infrastructure
MUMN	Malta Union of Midwives and Nurses
NAO	National Audit Office
NCF	National Celebrations Foundation
NMW	National Minimum Wage
NSO	National Statistics Office
OHS	Occupational Health and Safety
OJEC	Official Journal of the European Community
OMAS	Office of the Manager Airport Security
OPM	Office of the Prime Minister
OPS	Office of the Permanent Secretary
PAHRO	Public Administration Human Resources Office
PBS	Public Broadcasting Services Ltd
PC	Personal Computer
PDMAC	Public Debt Management Advisory Committee
PH	Public/National Holiday
PHC	Primary Health Care
PLR	Player Liability Report
PPP	Public-Private Partnership(s)
PPR	Public Procurement Regulations
PS	Permanent Secretary
PSMC	Public Service Management Code
PV	Payment Voucher
R&I	Research and Innovation
RD	Restoration Directorate
SA	Social Assistance
SABS	Social Assistance and Benefits System
SAMM	Structural Annualised Econometric Model for Malta
SPBH	Sir Paul Boffa Hospital
SSA	Social Security Act, 1987 (Cap. 318)
SSC	Social Security Contributions
SUP	Single Unmarried Parent
TM	Transport Malta
TOIL	Time Off In Lieu
TP	Taxpayer Profile
TVLU	Television Licensing Unit
UA	Unemployment Assistance
VAT	Value Added Tax
VL	Vacation Leave
WSC	Water Services Corporation

Office of the Prime Minister

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Non-compliance with Public Procurement Regulations with respect to Expenditure by National Celebrations Foundation Adherence to procurement regulations, where applicable, is to be followed in order to ensure transparency, as well as promote fair competition. Moreover, wherever possible, planning is to be made well in advance so as to publish public calls on time. Approvals from MFIN for DOs are to be requested only in exceptional cases, as clearly spelled out in MFIN Circular NO 3/2013 – 'Public Procurement Regulations – Direct Orders'. Additionally, all engagements are to be formally supported with a binding agreement, signed by the parties involved, indicating the applicable terms and conditions. Alternatively, the service provider has to officially accept the conditions stipulated in the tender or other method of procurement as specified by PPR, following receipt of LA. Management is also to ensure that suppliers honour the respective terms and conditions including the issue of a Bank Guarantee. Failure to do so should automatically leased to the bidder in question being rejected.	*X*	Not applicable since no further procurement is being undertaken by the NCF as it was an ad hoc foundation that has been dissolved.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Retrospective Direct Orders to settle Outstanding Payments The PPR are meant to ensure that the basic principles of transparency and accountability are adhered to. As emphasised in MFIN Circular No 3/2013, DOs should be limited to the barest minimum. Moreover, commitments should not be entered into directly with the service provider before requesting the necessary approval from the DOs Office, which instances are to be resorted to in exceptional circumstances, only and upon proper justification.	✓		An email addressed to all the concerned Heads of Department has been circulated to ensure adherence to the Public Procurement Regulations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Services procured by Direct Order As previously reported DOs are only to be resorted to in exceptional circumstances, in order to ensure accountability and that the most competitive prices for goods and services are obtained. Furthermore, it is highly recommended that expenditure is timely planned so that the appropriate procurement procedure is followed.	✓		Justification for resorting to direct orders will be clearly documented.	May 2016
CONTROL ISSUES				
Invoices preceding Local Purchase Orders or Letters of Acceptance OPM is to ensure that officers observe the standard purchasing procedure, which is to issue an LPO or LA, as applicable, before placing an order for goods or services. This will ensure that proper authorisation for the purchase is obtained and adequate funds are committed to cover the expense.	✓		An email addressed to all the concerned Heads of Department has been circulated to ensure adherence to the Public Procurement Regulations. Random sampling will be carried out to ensure compliance.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Shortcomings in relation to Vehicles Reference is to be made to the PSMC, in particular Section 8.2.5, which requires each logbook to be certified by the officer in charge of transport at the end of each month, in order to ensure that the trips recorded in the logbook were made on official duty and that fuel consumption is reasonable. Moreover, full details regarding fuel intake are to be clearly recorded on every logbook as per Appendix 8.I of the PSMC, as a means to verify each vehicle's fuel consumption. OPM is further recommended to ascertain the current applicability of the above PSMC requirements in view of information available on the Fleet Management System.	✓		Each logbook is being duly certified by the officer in charge of transport at the end of each month. Moreover, full details are being recorded in every logbook.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Overcharging in respect of Photocopying Service In order to mitigate the risk of overpayments, all invoices, including other supporting documentation on which payments are based, are to be vetted for correctness and properly certified, before being processed for payment, with particular attention to the charge agreed upon.	✓		Invoices are being vetted for correctness and properly certified.	Implemented
Hours claimed in respect of Cleaning Services not indicated on Timesheet OPM is to make sure that timesheets submitted and hours invoiced are tallied prior to effecting payment, and that such payments are withheld until any discrepancies are investigated.	✓		The OPM is ensuring that timesheets are being signed by the cleaners upon reporting for work and then countersigned by an OPM official. Hours on the endorsed timesheet are then tallied with the amount of hours invoiced by the contractor.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Shortcomings related to Inventory				
All assets are to be recorded accurately in the inventory database. These are to be adequately identifiable and traceable to the respective location. Room Inventory Lists are also to be updated to reflect the latest movements.			Update of physical inventory nearing completion.	Implemented
As stated in MF Circular No 14/99, *"Each item shall be physically marked with a consecutive identification number"*. This procedure is expected to be adhered to, and items are to be physically marked with a permanent identification number, as far as it is practicable.	✓		Physical checks will be carried out on a more regular basis.	June 2016
Periodic physical verification of inventory items is also recommended, to ensure that inventory records truly reflect the description, quantity and location of items.				

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Non-compliance with Fiscal Obligations Every effort is to be made to enforce the principle that VAT receipts are invariably obtained from suppliers for every purchase of goods and/ or services. Furthermore, all VAT receipts are to be adequately kept, in order to ensure that they are always readily available in a timely manner, and to enable verification by third parties. Additionally, defaulting suppliers are to be reported in the quarterly VAT defaulters lists, required to be submitted to the VAT Department as per MFIN Circular No 2/2012, for appropriate action to be taken. Pertinent fiscal regulations are to be adhered to.	✓		In view of the urgent work carried out by the Directorate, including that for two major events, the returns for 2015 areb to be completed and submitted by June 2016. Returns for 2016 will be submitted on time.	June 2016

Ministry for European Affairs
and Implementation of the
Electoral Manifesto

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Repeated Extensions for Cleaning Services following Expiration of Contract Management is to ensure that actions taken and commitments made are to be in line with relevant rules and regulations. Moreover, contract should clearly specify a definite period to ensure rigorous compliance with applicable procurement regulations. It is imperative that appropriate action is taken prior to the expiry of existing contracts, in order to limit any possible extensions. This practice will ensure that Government obtains the most economic prices and encourages competition.	✓		A fresh call for tenders was published through the appropriate channels and a new contract was established with the contractor that submitted the cheapest compliant offer. The PPR were fully respected by the MEAIM; the new contract is valid for a maximum period of 60 months.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Payments not as prevailing Lease Agreement Management is to ensure that prior to payment, invoices are properly certified against any contracts/ agreements in place.	✓		The auditor's comment has been noted. The MEAIM is in discussions with the MIP on a new contract with lower rates than the present one. Following the agreement with the MIP, the MEIAM is being charged a lower leasing rate than that in the present contract. Therefore, it does not result that the MEAIM was being overcharged or that there was any overpayment on this contract. In fact, the new draft agreement reflects the lower rates. Invoices are being checked against timesheets.	Implemented
Procurement from the Open Market without Appropriate Approval Procurement is to be made as regulated by PPR. In exceptional cases, in order to ensure accountability, MEAIM is to obtain the necessary approval from MFIN prior to procure directly from the open market.	✓		Approvals are being sought and obtained.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Local Purchase Orders dated after Suppliers' Invoice MEAIM is to ensure that officers observe the standard purchasing procedure, which is to issue a Local Purchase Order or Letter of Acceptance, as applicable, before placing an order for goods or services. This will ensure that proper authorisation for the purchase is obtained and adequate funds are committed to cover the expense.	✓		Recommendations have been noted and action is being taken, and compliance is being ensured. In situations concerning urgent procurement and other minor recurrent costs, it is not always possible not to expedite the process. However, the MEAIM is doing its utmost to limit these situations to a minimum.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Rent of Official Car not in line with Standing Regulations MEAIM is to invariably adhere to the requirements of PPR, to ensure a fair, transparent and equitable opportunity to all interested parties in the provision of goods and services paid from public funds. Moreover, it is recommended that the Ministry follows the provisions of MF Circular NO 6/2013 – 'Guidelines regarding the Provision of Official Cars', and abides by the directions given with respect to authorisation by MFIN for the provision of vehicles, including official cars.	✓		A new contract for the lease of an official, ministerial car was established in terms of the appropriate regulations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Insufficient Controls over Logbooks of General-use Vehicles The Ministry is expected to properly maintain and regularly monitor logbooks of its general-use vehicles, in line with PSMC, to ensure that such vehicles are used for official duty and that fuel consumption is reasonable.	✓		Each log-book is being regularly checked, signed and compared to the FMS by the Corporate Services Directorate. This approach will ensure better records to support control.	Implemented
Lack of compliance with Standing Travel Regulations Officers entrusted with the governance of official visits, are expected to conform to the pertinent regulations, in order to ascertain full accountability of the expenditure incurred. Thus, all travel advances are to be reconciled, and any refunds due are to be effected, within a reasonable time limit.	✓		In view of the increased demand for travel arrangements, the MEAIM has increased its staff complement within the travel section. New reporting measures have been introduced to regularly monitor the progress of each and every file. Prompt action is being taken to reimburse MEAIM officers as necessary.	Implemented Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Shortcomings related to Inventory As stated in MF Circular No 14/99, *'Each item shall be physically marked with a consecutive identification number'.* This procedure is expected to be adhered to, and items are to be physically marked with a permanent identification number, as far as it is practicable. Also, in order to maintain control over all assets, these are to be recorded accurately and Room Inventory Lists are also to be periodically updated to reflect any movements.	✓		An inventory exercise has been initiated in order to fully comply with the relevant MF Circular.	September 2016

Ministry for Tourism

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Substantial Variations It is important to give due attention to the planning phase prior to the issuance of tenders, so as to decrease the possibility of potential extra costs and the distortion of planned projects. In addition, considering especially the nature of works involved, a reasonable contingency is to be included in the tender estimates, to cover items, conditions or events, for which the state occurrence, or effect is uncertain and that experience shows will likely result in additional costs. As far as possible, requests for variation orders are to be made to DC or MDIN as applicable, prior to carrying out the respective works. Similarly, in line with MFEI Circular Nos. 3/2012 – 'Public Procurement by Direct Order' and 3/2013 – 'Public Procurement Regulations – Direct Orders', the necessary MFIN approval for direct order is to be sought before any commitment is entered into. In future similar instances, an addendum is to be drawn up in order to include terms and conditions to safeguard RD interests.	✓		The Directorate will be ensuring adequate planning so that direct orders, extra costs and variations are only resorted to in line with public procurement regulations.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Shortcomings related to the Provision of Cleaning Services Any changes to the agreed hours of service are to be formally authorised and documented. This will enable Management to confirm invoices to the attendance sheets prior to payment, also ensuring that the number of hours claimed has been performed. Furthermore, any overpayments are to be recouped without undue delay, in addition, Management is to ascertain that all contractors abide with employment regulations.	✓		Invoices are being checked and overpayment recouped. The management is now ensuring that any workers that exceed six hours of work per day avail themselves of their break as stipulated by law, and that this is duly recorded in the timesheets. The management will be documenting the checks being undertaken to confirm that invoices are in line with the service actually provided.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Paid Invoices not substantiated or not endorsed Before effecting payments, the responsible officer is invariably expected to ensure that the respective invoices were duly checked and endorsed accordingly. Furthermore, officers entrusted with the authorisation of such payments are to be held accountable in case they fail to carry out their duties properly. Each payment is to be adequately substantiated with source documentation, which is to be properly filed for future reference and audit purposes.	✓		Action is being taken on a daily basis by the Accounts Section recently set up specifically for the Restoration Directorate; this will ensure that all invoices are certified by the officer responsible for such procurement. Furthermore, supporting documentation, where applicable, is being verified prior to effecting any payments. No payments are being effected unless such certification and supporting documentation, where applicable, are in place.	Implemented
Double Payments Internal controls are to be strengthened to ensure that double payments are prevented. Moreover, the Directorate is to do its utmost to recoup the amounts in question.	✓		Action is being taken on a daily basis by the Accounts Section to ensure that double payments are avoided. Amounts were recouped as necessary.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Retrospective Approvals for Variations Where possible, works are not to be carried out unless appropriate authorisations are obtained.	✓		While noting that the nature of works contracts may necessitate urgent works on site that could not have been otherwise foreseen, the directorate will ensure that appropriate authorisations are obtained.	May 2016
Required Retention Money not held The required retention is to be held in order to protect the contracting authority from any loss resulting from the contractor's failure to fully perform his contractual obligations.	✓		The management will ensure that the required retentions are deducted in line with contract conditions.	May 2016
Funds disbursed unnecessarily Although NAO acknowledges the fact that planning projects may be challenging, the initial stage is of fundamental importance and needs to be carried out diligently in order to prevent unnecessary delays. Furthermore, in future similar instances, claims are to be substantiated with detailed documentation.	✓		Tender documents are including the daily maximum rates for delays encountered as penalty clauses. An adequate audit trail is being maintained.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Performance Guarantees expired or overlooked It is to be ensured that contractors submit the required performance guarantee, valid for the entire period of the respective contracts.	✓		The Directorate is ensuring that performance guarantees are being submitted and that monitoring is being carried out to ensure that these are extended as necessary.	Implemented
COMPLIANCE ISSUES				
Awarded Tenders and Variations not published Officers in charge are to be fully aware of the relevant regulations, to ensure that the required publications in the Government Gazette are made accordingly and in a timely manner.	✓		Publications are being made in the Government Gazette in a timely manner. The Directorate will ensure that all the necessary details are included in the publication.	Implemented June 2016
Misallocation of Expenditure Payments are to be appropriately posted in the respective accounts, ensuring consistency, as also required in terms of the regulations.	✓		Action was taken to ensure proper postings.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Deferred Payments Deferred payments are to be kept at the absolute minimum, limited to that which is unavoidable.	✓		Reports are being drawn up as necessary and action taken so as to ensure that payments are effected within the shortest period possible.	Implemented
VAT Receipts not readily available or not provided Effort is to be made to enforce the principle that VAT receipts are invariable obtained for every purchase of goods and/or services in line with VAT regulations. Otherwise, as per MF Circular No. 5/2002, the Directorate is to consider discontinuing purchasing from such defaulters until this situation is rectified. Furthermore, all receipts are to be kept in the relevant file to support the respective payments.	✓		VAT receipts are being requested accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
List of Defaulters not compiled Quarterly returns with details of defaulters are to be submitted to the Audit and Assurance Section of the VAT Department on a quarterly basis, as required by the respective circular.	✓		Defaulters' list is being sent to the VAT Department.	Implemented
VAT Element not indicated Whilst acknowledging that the quote selected remained the cheapest, in future similar instances it is to be ensured that the quotes submitted, clearly indicate the VAT element in order to avoid any possible misinterpretations, also ascertaining compliance with applicable regulations.	✓		Recommendation has been noted and taken up.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Returns not submitted to the Auditor General Both inventory databases are to be updated without undue delay. Furthermore, statutory information is to be forwarded to NAO as required by MF Circular No 14/99, in order to ensure compliance with the established provisions and enable control over inventory items.	✓		The Directorate is updating the inventory; a new database is being created in this regard.	September 2016
Analysis of the Inventory Databases Shortcomings in the inventory records are to be rectified in order for the databases to be complete, reliable and in compliance with the requirements of the circular.	✓		Action is being taken to ensure that the requirements of MF Circular No. 14/99 are adhered to.	September 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Lack of Segregation of Duties The strengthening of the Accounts Department will enable the Financial Controller to improve the internal control set up, as well as assist in reducing inherent risks, whilst providing a vital step in the growth of the entity.	✓		To date, all vacant posts in the accounts and administration departments have been filled.	Implemented
Weak Control on Store Items Stock control procedures, as stipulated in Treasury Circular No. 6/2004 are to be adopted. The recording process is expected to be through a computerised stock management system. This will enable a proper audit trail for each transaction while mitigating related problems. In addition, a physical check of all stock items is to be carried out on a regular basis, in line with the requirements of the General Financial Regulations. Any discrepancies between the physical stock count and the stock records are to be scrutinised.	✓		An officer has been assigned duties related to store management. The stock is being held in adequate conditions. A computerised system was purchased and implemented. The MCC will be utilising the module related to re-order stock levels. A full stock count is currently in progress and the computerised system is in the process of being updated. When necessary items will be disposed of in line with Treasury Circular No. 6/2004.	Implemented June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Untimely Bank Deposits In line with best practice, for the safeguarding of funds as well as to minimise the negative impact on the entity's cash flow, cash and cheques are to be deposited on a regular basis, whilst ensuring that the amount of money in hand is adequately covered by the insurance policy.	✓		Deposits are being made at least once a week. The insurance policy is sufficient to cover the amount of money in hand since, given the timely deposits, cash handling is reduced.	Implemented Implemented
CONTROL ISSUES				
A Conclusive Fixed Asset Register not in Place All assets falling under MCC's remit are to be identified. Management is to ensure that the assignment to comply a proper Fixed Asset Register is finalised without further delays.	✓		A managing accounting system is now in place at the MCC, and it includes a detailed list of assets purchased since 1999.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Fixed Asset Register not in line with Pertinent Regulations Management is to ensure that records are thoroughly checked to identify any entries that are inconsistent with standing regulations and these are to be amended accordingly. Moreover, in order to ensure that more effective control is maintained, MF Circular No. 14/99 is to be complied with. In case of any difficulty in maintaining an up-to-date tangible Fixed Asset Register, guidance is to be sought from the Ministry for Finance.	✓		A course of action is being drafted to address this recommendation.	December 2016
Assets not marked with an Asset Identification Number Adherence to inventory control procedures is recommended. This entails physically marking items with a permanent identification number, as far as it is practicable to do so.	✓		The accounting system at the MCC includes a detailed list of assets from 1999 onwards. A formal Inventory Recovery system will be introduced.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Room Inventory Lists not Evident In line with MF Circular No. 14/99, room inventory lists are to be produced and hung in the respective rooms. Furthermore, these are to be duly amended whenever items are transferred from one room to the other.	✓		The accounting system at the MCC includes a detailed list of assets from 1999 onwards. A formal Inventory Recovery System will be introduced.	December 2016
Lack of Effective Control on Inventory Once an officer in charge of inventory is nominated, ongoing liaison is to be carried out between the latter and other on-site officers, so as to ensure that inventory records are consistently updated with the actual movements.	✓		An officer has been assigned duties related to store management.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Heritage Asset Catalogue not Compiled MF Circular No. 14/99 specifies that heritage assets, which in the inventory database are to be denoted as such, are to be separately catalogued by the entity entrusted with their care. This catalogue is to contain a photograph of the item and a scrupulously detailed description by a Government-appointed expert, who is also to endorse the printed copy of the catalogued sheet for that heritage asset. Furthermore, Management is to ensure that heritage assets falling under its responsibility are conserved and managed in a sustainable manner. This contributes towards a better appreciation of Malta's cultural identity.	✓		A digital catalogue to be compiled, excluding those valuations that require external expertise.	June 2017

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Entity not in possession of a Copy of the Insurance Policy maintained by the Tenant MCC is to ascertain that the tenants are adequately insured, so that in case of any accidental losses or damages, the cost of the assets will be duly recovered.	✓		Management has copies of policies in hand.	Implemented
Provision and Management of Catering Services				
Commission Received not Validated For the sake of transparency, amounts receivable are to be substantiated by adequate and complete documentation. With respect to income earned from open bars, MCC is to request the respective company to provide a copy of the cash register end-of-day report.	✓		A system where bar sales are recorded has been implemented. Moreover, bar sales are reconciled with the Z readings.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Clauses stipulated in the Lease Agreement not adhered to by the Lessor Invoices are to be duly raised and forwarded to the Lessee within the stipulated time.	✓		Two separate invoices will be issued to cover rent and commission.	May 2016
Malta Philharmonic Orchestra				
Shortcomings noted in the Electricity Consumption charged to Client Electricity readings are to be initially taken on the first day the hall is occupied by the client for preparation, whilst a second reading is then to be taken upon dismantling. Furthermore, for the sake of transparency the electrician is to be accompanied by the lessee's representative, who is also required to endorse the respective readings. This will in return eliminate any disagreements, which might crop up following the issue of the related invoice.	✓		Recommendation is accepted, however, there may be instances where the client does not remain in attendance for the electricity meter reading, in which case the MCC will proceed with invoicing.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Deposit not paid prior to the holding of the Performances MCC is to ensure that a deposit duly backs up all agreements prior to commencing any work related to the respective event.	X	The MCC contends that the MPO is a cultural and business collaborator within Government. Furthermore, the relationship between the MCC and the MPO is governed by a contract that is renewed annually.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Identity Malta				
Lease agreement not signed by the Lessee Lease of MCC premises is to be covered by valid contracts at all times. Such measures would reduce the potential of disagreements and litigation in case of default by either parties, and also ensure that all services rendered and payments made are legally backed up.	✓		The main agreement has been signed. The revised agreement has been drafted and will be signed shortly.	Implemented June 2016
OTHER MATTERS				
Cash Receipts from the Booking Office not verified on a daily basis At the end of the day, receipts from the sale of tickets, as disclosed in the computerised report extracted from the booking system, are to be invariably reconciled to the amount of cash and cheques in hand, by an independent officer. Daily cash-out procedures help to uncover discrepancies between actual cash collected and recorded amounts in a timely manner.	✓		Daily reconciliations are being undertaken.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Inadequate Insurance Coverage Management is to safeguard the entity's assets, interests and activities, against any unforeseen loss or damage, by having a proper insurance cover in place, which policy is to be reviewed and updated from time to time.	✓		Assurance was obtained from our brokers that, during the period in question, adequate cover was in place.	Implemented
Electricity Consumption Readings not endorsed by the Auditee It is important that MCC officers are present whilst the readings are being taken. Invoices for reimbursement are then to be raised accordingly.	✓		There is an agreement between the MCC and GO that, prior to each reading, the MCC will be informed. An MCC representative will be present during the reading, which will be endorsed. Subsequently, an invoice will be issued accordingly.	Implemented
Invoices not raised in Sequential Order The Financial Controller is to ensure that the invoicing system tool provides a continuous audit trail in its method of invoice generation.	✓		Invoices are being raised in a sequential order as generated by the system.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Theatrical Performance Agreements lacking detailed provisions For the sake of transparency, services offered on a complimentary basis are to be clearly spelled out in the theatrical performance agreement drawn up.	X	Management had reservations on this matter. The services in question such as the services of an electrician and a duty manager during the event are not given on a complimentary basis but are part and parcel of the rental fee. This is the business model applicable on the market in this sector.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Statutory Returns not submitted to NAO Officers in charge of the respective tasks are to be made aware of the statutory returns that have to be compiled, and that accurate and timely feedback is regularly submitted to NAO.	✓		Statutory returns in accordance with Circular No. 14/99 are being submitted.	Implemented

Ministry for Education and Employment

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Public Procurement Regulations continuously by-passed MEDE is to strive to acquire its goods and services in line with the applicable regulations, thus ascertaining transparency and fairness, as well as ensuring that the most competitive prices are obtained. As far as possible, all service providers and/or suppliers are to be given equal opportunity to submit their quote.	✓		All requests for LPOs are being monitored by the Financial Manager. In order to strengthen adherence to Public Procurement Regulations Circular DOPR 16/2015 was re-circulated. The Administration and Procurement Section is drafting a procurement plan of all current tenders. This will help the section to plan better planning and issue calls for tenders/ quotations in a planned manner thus ensuring that all procurement done through tendering/public quotations is in line with PPR. As part of the Budget 2017 process, all Departments/Directorates within the MEDE will be asked to plan for procurement so that the Procurement Section can plan ahead and include in its plan of works. Contracts template is currently being revised to ensure that it includes all relevant information.	Implemented June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Fundamental Internal Controls Strong internal controls are essential in assisting the Ministry to mitigate financial risks and achieve its objectives to manage public funds entrusted to it more efficiently. It is also recommended that ongoing monitoring activities are carried out, to evaluate and improve on the effectiveness of internal controls.	✓		An accountant has been deployed to the Finance section. In 2015, the MEDE set up its own decentralised Internal Audit unit. After holding workshops and internal discussions, the MEDE, together with the audit firm, drafted a three-year plan to audit different sections of the Ministry according to priority and risk factors. The Internal Audit unit's function within the Ministry should contribute towards the further implementation of necessary internal controls.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Double Payments Adequate internal controls are to be in place to ensure that the respective bill is not paid more than once. MEDE is also to identify any possible double payments and to do its utmost to recoup all overpaid amounts without unnecessary delay.	✓		Remedial action has been taken. Programme Implementation has issued a memo informing all concerned that, when certifying correct invoices for payment, these should be forwarded to their office and not directly to the Finance Section. This is being followed by all departments.	Implemented
Commission Expenses incurred unnecessarily It is advisable that subject to adequate internal controls in place, the Ministry makes the necessary arrangements for a debit card to be available for use in those instances whereby settlement is required to be processed online. In the circumstances, it is recommended that the Ministry seeks guidance from MFIN for the way forward.	✓		A debit card is now available for online procurement through the Finance Section. To ensure that the system is not abused, the balance in the card is set at Euro 0 and funds are only transferred if a payment is approved by the DFA.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lost Discount The discount value lost for the entire year accumulated to a fairly considerable amount. Given that purchases of registrations are ongoing, appropriate measures are to be taken to ensure that payment is made in a timely manner to avoid unnecessary costs.	X	No longer applicable. As from 2015, the new contract has been signed and has no reference to a discount.		
Remuneration to an Interview Selection Board Member In order to ensure efficiency and to minimise costs from public funds, it is recommended that any public employees sitting on interview selection boards will be in a managerial grade.	✓		The recommendation by the NAO was implemented by the Examinations Department with immediate effect.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of thorough checking Officers endorsing invoices are to ensure that they are in possession of all the necessary documentation, to confirm that amounts claimed are correct and payments may be effected. Moreover, all officers are to be made aware of their accountability when certifying invoices and/ or endorsing any documents. MEDE is encouraged to carry out a comprehensive exercise in order to identify all the service providers who were paid at incorrect rates and rectify this issue by recouping any undue payments.	✓		A memo is to be circulated by the DFA amongst all Departments or Directorates so that officers are made aware of their accountability when endorsing and certifying documents/invoices. A reconciliation is to be done for two suppliers that have overpayments so that these are settled. The MEDE still has pending invoices with these suppliers so overpayments are to be set off against invoices.	Implemented
Excessive number of hours performed The service provider is not expected to cover the security officer complement by providing staff working excessive long hours. Furthermore, employment regulations are to be adhered to in all instances. On the other hand, MEDE is to ensure that the break period is deducted from the respective payments, where applicable.	✓		Employees are now working a 6 hour shift, therefore no break deduction is necessary.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Bank guarantees overlooked and/or expired It is imperative that the contractor submits the required bank guarantees and makes the necessary extensions to cover the entire period of the contract.	✓		The Procurement Section is continuously monitoring that bank guarantees are submitted by the contractor as stipulated in the tender specifications and where necessary.	Implemented
Sponsorships Formal requests are expected to be in place and invariably filed for future reference. These are to include details of the person or organisation making the request, proposed project or initiative, and the amount of funding being requested without going into the merits as to whether band clubs and/or voluntary groups are to receive a sponsorship from public funds from the Ministry in question, for the sake of fairness, impartiality is encouraged and as far as possible, the Ministry is to be informed of the use of such sponsorships.	✓		Action has been taken by the Finance Section to ensure that a copy of the formal request and breakdown of expenditure covering sponsorship is kept in the respective file. Furthermore, a board has been set up by the Permanent Secretary to scrutinise requests for sponsorships in order to ensure transparency and fairness.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Procurement				
Procurement of Services not in line with Pertinent Regulations The provisions and thresholds imposed by PPR are to be invariably adhered to. This will not only ascertain that value for money is achieved, but will enable transparency and accountability. While the Ministry may in exceptional cases resort to direct orders after obtaining the appropriate approval, this is not to be considered as best practice in line with MFIN Circular No. 3/2013. Procurement not exceeding €6,000 (VAT excl.) may be obtained direct from the open market following the required approval. However, it is to be emphasised that PPR Articles 20(1)(a) and 20(1)(b) state that for such practice, one should take into consideration the amount involved, the urgency attached to the procurement and restrictions of choice and availability.	✓		Continuous monitoring is being done by the Finance Section to ensure that all payments are in line with PPR. The Finance Section is establishing procedures for monitoring.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Follow up on the Provision of a System for the Students' Maintenance Grants Whilst acknowledging that the system was terminated by MEDE, NAO reiterates that in similar future instances, services have to be procured in line with PPR and a formal agreement is to be entered into. The terms and conditions binding both parties are also to be adhered to. In addition, extension clauses should only be granted if they were already included in the call for tenders. In order to ensure that the best rates and conditions are obtained, a fresh call for tenders is encouraged upon expiry of contracts. In such absence, authorisation from the relevant authority is to be invariably sought in line with the procurement regulations.	*X*	No longer applicable since the Smart Card System was deactivated in August 2014.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Possibility of Indefinite Contracts Extensions In order to ensure that the best rates and conditions are obtained, the calls for tenders are to include a limit, by period and/or amount, in line with procurement regulations, up to when contracts may be extended.	✓		Will be included with every new tender published. In fact, the clause has already been inserted in a drafted tender document.	Implemented
Expired Contract still in use In order to enhance controls, it is important to monitor expiry dates of contracts, thus ensuring that a fresh call for tenders is issued in time and no payments are eventually made outside the validity of the contract. Such measures would reduce potential disagreements and litigation in case of default, and also ensure that all services rendered and payments made, are legally backed up.	✓		Tenders awarded are being monitored so that services are not extended beyond the deadlines stipulated in the contracts. The issue of repair and servicing has been addressed by a new call for quotations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Anomaly in the Contract Period Terms and conditions of the agreement are to be clearly spelled out and relevant documents are to be filed for future reference.	✓		A new tender has been drafted wherein the period is clearly stipulated. Moreover, the monitoring officers regularly evaluate the service provided by the contractor so as to make sure that they abide by their contract.	Implemented
Additional Services not provided for in Contract Any additional services to contracts entered into by DC are to invariably be passed through the latter. In such instances, an addendum is also to be drawn up for the approval of the General Contracts Committee. If further clarification on this issue is deemed necessary, reference is to be made to DC for guidance.	✓		Management is going to refer to an umbrella term, namely that of 'Malta Libraries', which would incorporate all branches falling under the remit of Public Libraries.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Awarded Contracts not published Officers in charge are to be fully aware of the relevant regulations to ensure that departmental contracts and direct orders are duly published.	✓		Departmental tenders and direct orders are being published in the Government Gazette. Contract values will be included in the publication.	July 2016
OTHER MATTERS				
Police Private Guard Licences expired or not provided Police private guard licences are to be requested and obtained as required by the respective tender. It is also to be ensured that valid licences cover the whole duration of the contract.	✓		It is being ensured that valid licences cover the whole duration of the contract for the Malta Libraries. The same procedure will be adopted with regard to the rest of the Ministry.	June 2016
List of Signatories not provided The lists of authorised signatories are to be compiled and updated in line with the relevant circular and the General Financial Regulations Article 91.	✓		The list has been updated and kept in the respective file. The list is being updated with any changes pertaining to Finance employees. New employees are being added, and employees that leave the section are suppressed. Checks are done every month.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Deferred Payments The Finance Department is to ensure that deferred payments are kept at the absolute minimum, limited to that which is unavoidable, as required by standing regulations.	✓		The Finance Section regularly follows up on pending LPOs. In 2015, extra effort was made, from as early as September, to urge all sections to forward any pending invoices for payment before the end of the year. Also, budget line items were continuously monitored to identify savings and, with the MFIN's approval, funds were reallocated to other line items in order to settle as many invoices as possible within the relative financial year. All efforts are made so that deferred payments are kept to a minimum.	Implemented
VAT				
No Designated Officers In line with MF Circular No. 5/2002, specific officers are to be officially designated to ensure that the relevant directives are followed.	✓		Specific officers were officially assigned the related duties. The VAT Department was informed accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Fiscal Receipts not provided or not readily available As required by MFEI Circular No. 7/2011, Heads of Department and other Accounting Officers are to ascertain that they are invariably issued with a fiscal receipt and/or declaration, as applicable. In cases where service providers fail to adhere to VAT regulations, MEDE is to consider discontinuing purchasing from such defaulters until the situation is rectified. Furthermore, all receipts are to be kept in the relevant file to support the respective payments.	✓		In 2015, a process was initiated by the Finance Section to collect missing VAT receipts. The Finance Section issues a letter to the supplier and then a reminder if no receipt is received within the stipulated time. The exercise is fruitful as a lot of receipts are being collected from suppliers.	Implemented
List of defaulters not compiled Quarterly returns with details of defaulters are to be submitted to the Audit and Assurance Section of the VAT Department on a quarterly basis, as required by the respective circular.	✓		Returns are to be submitted on a quarterly basis and not every 6 months.	June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Inventory				
Inventory Return not submitted Whilst acknowledging that there was no sufficient time since the incumbent took over the responsibility, it is expected that the inventory database is updated without undue delay. In addition, statutory information is to be forwarded to NAO as required by standing regulations, in order to ensure compliance with the established provisions and enable control over inventory items.	✓		The inventory database of the head office has been updated and sent to the Treasury. Inventory reports are sent regularly to the Treasury, twice yearly. Head office physical stock take is done twice yearly so that returns are sent by January and July for each calendar year.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Lack of Internal Controls Human Resources and Payroll are particularly important functions within MCST in view of the expenditure involved. In this regard, Management is encouraged to implement NAO's recommendations suggested under the respective observations for robust and transparent procedures.	✓		The MCST has already implemented, or is in the process of, the recommendations put forward in the NAO Report.	December 2016
Appointment of Financial Controller on Trust Basis An adequate human resources strategy needs to be adopted by Management, in order to ensure continuity for the smooth running of MCST business operations. Furthermore, financial package offered to employees should not exceed the approved amount.	✓		Financial packages offered to employees are as per approved structure according to Directive 7 and are not exceeding the approved amount. A Human Resources Assistant Director has been recruited. An HR strategy will be drafted and documented.	September 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Absence of Attendance Records Proper management of personnel, which requires both the existence of adequate attendance records and their verification, is a vital aspect of supervision in the workplace. In this regard, NAO recommends the immediate implementation of attendance verification devices and performance of the necessary verification by responsible MCST officials on a regular basis, to ensure that unauthorised absences are duly addressed in a timely manner. MCST Management may be guided by the Public Service Management Code (PSMC) section 3.1.5 'Attendance Verification Systems and Devices', for the setting up of formal internal control procedures in this regard.	✓		An electronic card access control and attendance system has now been installed. A secondary electronic system also makes provisions for the approval by the respective Unit Directors of all out-of-office cases.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Payroll Concerns The incorporation of a robust internal control system within the payroll function is urgently recommended. Management is also encouraged to reassign responsibilities within this Section, in order to have reliable and independent verifications in place during the payroll process, to prevent inaccurate payments. Adequate authority is to be obtained prior to the award of financial benefits. Payments made are also expected to be adequately substantiated.	✓		The existing procedure includes relevant checks. Any rectification action, if need be, is taken immediately.	Implemented
Contracts of Employment Concerns In order to avoid errors and subsequent amendments, official documents, such as employment contracts, should be checked thoroughly prior to be signed.	✓		Recommendation noted and implemented accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Overtime Consistent adherence to the overtime approval procedures stipulated in MCST Terms of Employment Handbook is to be ensured. Additionally, Management is encouraged to consider a long-term solution by conducting a holistic review of MCST operations, with the aim of establishing an optimal cost-efficient arrangement. Overtime work should only be resorted to in exceptional and unavoidable circumstances.	✓		Cost containment measures are in place to control overtime. In cases where employees are being regularly requested to be available beyond working hours, they are being compensated with a disturbance allowance.	Implemented
Central Filing System not in place A centralised filing system should be in place and adequately maintained by MCST.	✓		A central electronic filing system has been set up with the appropriate rights and permissions. This will be further enhanced when the ESPLORA data network is completed.	December 2016 December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Adjustments to Payroll not documented Adjustments to salaries performed for each payroll are to be adequately supported with the necessary workings and filed accordingly. Besides enabling ease of reference and verification by third parties, this ensures a smoother transition in the event of a change in the respective personnel.	✓		All adjustments to payroll are being documented as necessary.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Inadequate Inventory Management Effective controls over the tracking and valuation of fixed assets require the maintenance of an inventory database to ensure that the information is accurate and complete. Such database is to be safeguarded through adequate backup records. An officer entrusted with the responsibility of inventory management at MCST is also expected to perform periodical physical reconciliations. Inventory procedures for obsolete items should be formally established and followed. Additionally, previous versions of inventory records are to be filed accordingly. MCST is to be guided by the Inventory Control Regulations established in MF Circular No. 14/99.	✓		A central asset management system has been installed and the database is currently being populated. The inventory lists for the individual offices/rooms was updated at the end of 2015. Following completion of the preceding action, all the new asset numbers will be added to the room list items.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Signatories for Procurement lacking Formal Authority Authorised signatories should be formally documented, approved and filed accordingly for future reference.	✓		Authorised signatories have been formally documented, approved and filed accordingly for future reference.	Implemented
Bank Signatories Bank signatories, respective limits and delegated powers, should be filed accordingly for future reference and updated as necessary.	✓		Documents supporting authorised bank signatories for 2015 are in hand, filed and updated as necessary.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Cleaning Services Management is to conduct adequate control and monitoring procedures over third party contracts. This includes keeping record of daily hours of service rendered, to be reconciled with the invoice details prior to effecting payment. It is also to be ensured that any requested insurance policies are in place.	✓		Timesheets related to daily cleaning are being duly signed by a responsible MCST officer and are being attached to the corresponding invoices. Copies of the contractor's public and products liability insurance cover are being kept by the MCST.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
General-use Vehicle A logbook is to be properly kept for the general use vehicle, indicating each journey performed, the purpose of trips made and exact mileage covered, in order to enable proper verification. The attention of Management is also being drawn to the relative guidelines outlined in PSMC to regulate the use of this vehicle. The use of the specimen logbook as found in PSMC Appendix 8.I is encouraged, thus ensuring that adequate details of each journey performed are recorded. Refuelling is to be approved a priori and recorded in the logbook accordingly. PSMC also requires that a certificate, as per Appendix 8.II, is entered in the logbook at the end of each month, confirming that the trips recorded were made on official duty. Additionally, MCST Management is to ensure adherence to MFIN Circular No. 5/2015 and display its name on both sides of the vehicle.	✓		A logbook is being kept. The MCST signage is clearly displayed on both sides of the vehicle. .	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Travel lacking Adequate Approval All official travel is to be invariably approved in line with MCST policies.	✓		Travel is being approved in line with the MCST policy. Furthermore, the Ministry for Education and Employment will issue instructions to the MCST to comply with the provisions of MF 35/05/4 which assigns responsibility for approval to the entity's CEO.	Implemented May 2016
Research and Innovation Programme Concerns NAO stresses the importance of budgeting to plan and monitor the financial requirements. This ensures that funds are used as intended, whilst also avoiding situations of budget overruns. Documented information for R&I Projects, including evidence of monitoring throughout the duration of the project life-cycle, is to be adequately filed. This ensures ease of reference and business continuity in the event of a change in roles and responsibilities within the respective Unit.	✓		The MCST is undertaking necessary budgeting for the total planned expenditure. Soft copies of projects' documentation are being kept in a central location on the MCST's file server.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
VAT Concerns Management is to regulate its position by following MFEI Circular Nos. 7/2011 and 2/2012.	✓		The VAT Department was informed about the MCST's designated officer.	Implemented
Lack of Compliance with the Data Protection Act The processing of personal data is to comply with the Data Protection Act The Information and Data Protection Commissioner is to be informed of any changes accordingly.	✓		The Data Protection Officer will ensure that any data processing operations will be carried out according to the provisions of the Data Protection Act.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Submissions of Audited Accounts and Annual Reports Management is to ensure that the Financial Statements are finalised well in advance for the annual statutory audit to be conducted by external auditors by the established deadline. This facilitates the printing of the annual report of the activities and timely submissions, since this is dependent on the audited Financial Statements.	✓		Discussions are underway regarding the submission of deadlines.	December 2016

Ministry for Gozo

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Governance Weaknesses It is recommended that EGRD develops its own internal control procedures, having regard to its specific circumstances and characteristics. Ideally, controls are to be embedded in the operations, form part of the overall culture and be capable of responding quickly to evolving risks. These controls are to include procedures for reporting immediately to appropriate levels the weaknesses identified and significant control failings, thus enabling timely corrective action if so required. Notwithstanding this, sound internal controls cannot eliminate the possibility of processes being deliberately circumvented by the collusion of employees or poor judgement in decision-making. Thus, staff and operations should be supervised by competent officers who are conversant with the processes and procedures that are in place, and who are ready to query such procedures and decisions, if and when necessary, as well as to take any action deemed necessary to address shortcomings.	✓		The vacant position of Senior Project Administrator (Technical) is included in the HR Plan submitted for 2016. Eco Gozo will be developing its own risk registers.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Segregation of Duties Best practice entails that a Quantity Surveyor is appointed to draw up the call for tenders and subsequently also the bills of quantities. Thus, EGRD is encouraged to make use of the services of a reliable Quantity Surveyor, with the aim of reducing reliance on one individual, ensuring effective independent verification.	✓		The procurement function of the Directorate has been transferred to the Central Ministry Procurement Unit.	Implemented
Continual Delays in finalising Projects Management should strive to resolve any potential obstacles to the success of the project with related parties, prior to its commencement.	✓		Management takes note of the recommendation and reiterates that, prior to the commencement of projects, its management enters into discussions with the necessary competent authorities, as was the case with the audited projects, so as to resolve any foreseen obstacles. Management will ensure that written evidence of the outcome of the discussions is maintained.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Lack of Compliance with Tender Requirements In dealing with public funds, the Directorate is duty bound to ensure that the interests of taxpayers are safeguarded. Thus, any clauses included in the conditions for service contracts, intended to protect the Contracting Authority, are to be fully observed. Furthermore, transparency and fair competition is to be practiced at all times by all public officials, ensuring no one bidder has an advantage over other interested parties.	✓		Appropriate action is being taken in this regard.	Implemented
Child Development Centre in Victoria				
Delays in completing Project Once an agreement comes into force, the contracting parties should endeavour to initiate the project and ensure that it is finalised within the established timeframe. An official order to start works, including acknowledgement from the contractor, is also highly recommended.	✓	The contract was signed on 8th March, 2013. Consequently delays were due to a review of the project at the start of a new legislature.	An official order to start works is being issued.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Incomplete Works Register Management should ensure that the conditions, intended to enhance internal controls and safeguard the interests of the Contracting Authority, are duly enforced. The Works Register is also to be given its due importance. Thus, proper records are to be kept and signed to ensure transparency.	✓		Additional resources are required for sufficient monitoring. The filling of the vacancy of Senior Projects Administrator (Technical) will address this issue.	December 2016
No Independent Testing on Concrete The Contracting Authority is expected to request its own random sample checks on a regular basis, keeping the contractor constantly aware of being liable to inspections, hence maintaining the required standards.	✓		As per the PAC's recommendations, the MFIN is considering the possibility of issuing guidelines on the procedure to be adopted to test concrete with respect to project requirements.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Documentation supporting Measurement by the Supervisor Management is encouraged to request delivery notes from the contractor, with the proviso that responsibility will only be assumed on completion and commissioning of project.	X	In view that responsibility will not be assumed upon delivery, this recommendation is not in the best interest of the Administration.		
Installation of Photovoltaic Panels at Taċ-Ċawla Social Housing Estate				
Delays in finalising Project Consultation with all stakeholders is recommended prior to the issue of tenders to ensure that, as far as possible, divergences are resolved in a timely manner and established timeframes can be kept accordingly.	✓		Management takes note of the recommendation and reiterates that, prior to the commencement of projects, its management enters into discussions with the necessary competent authorities, as was the case with the audited projects, so as to resolve any foreseen obstacles. Management will ensure that written evidence of the outcome of the discussions is maintained.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Addendum signed retrospectively when it was already expired EGRD is to ensure that any necessary addendum is duly signed before the related contract expires.	✓		Recommendation has been noted and taken up.	Implemented
Feed-in Tariff Refund forgone Consultation with all stakeholders at an early stage is strongly recommended, thus ensuring timely collaboration from all parties.	✓		Consultation with all stakeholders at an early stage will be undertaken on future projects.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Landscaping and Maintenance Works at Ta' Isopu, limits of Nadur				
Permit not in hand It is advisable, as far as possible, tenders that are dependent on the necessary permits are not issued until these are duly approved. Advance planning is to be undertaken, particularly in cases involving the processing of MEPA permits, in view of the timeframes which may be involved.	✓		Recommendation has been noted and taken up.	Implemented
Unattainable Scheduled Timeframes Established timeframes are expected to be realistic and attainable.	✓		Recommendation has been noted and taken up.	Implemented
OTHER MATTERS				
Performance Guarantees The Contracting Authority should ensure that valid bank guarantees are duly maintained throughout the period of the contract.	✓		Performance guarantees, if required by the tender, are being maintained for the period of the contract.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Insurance Policy Copies of insurance policies and proof of payment thereof are to be requested from the contractor and kept for independent verifications.	✓		When required, insurance policies and proof of payment are being requested and kept on file.	Implemented
Order to Start Works Commencement date should be set and confirmed in writing with the contractors to ensure that timelines are maintained accordingly. Conditions imposed by the contract are also to be adhered to.	✓		An official order to start works is being issued.	Implemented
Test Certificates The quality of material should be tested on a regular basis to ensure that it is in accordance with the required specifications.	✓		As per the PAC's recommendations, the MFIN is considering the possibility of issuing guidelines on the procedure to be adopted to test concrete with respect to project requirements.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
No Time Limit imposed on Works and Services A time limit is to be included in the calls for tenders and/or quotations, with the possibility of extension for the required works or services.	✓		Recommendation has been noted and taken up.	Implemented
COMPLIANCE ISSUES				
Rubble Walls not built in line with Permit Management is expected to strictly comply with MEPA requirements.	✓		Management will comply with MEPA requirements.	May 2016

Ministry for Social Dialogue, Consumer Affairs and Civil Liberties

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Lease of Premises Although the present lease agreement still has six years to expire, Management is encouraged to carry out an exercise in order to identify alternative Government premises that satisfy MCCAA's requirements. The latter is to also determine whether the option of moving to new premises upon expiry of the contract is feasible and more cost effective. In the event that adequate premises are not available, it is recommended that the Authority issues an expression of interest. The approach taken is to be in line with the requirements of the procurement regulations, to ensure that the best rates and conditions are obtained within the framework of a transparent and fair selection process.	✓		The agreement to lease the premises was made on the 12th of October 2011. The contract of lease is valid until 2021. The MCCAA accepts the recommendations to initiate an exercise during this year to find alternative adequate Government premises that satisfy the MCCAA's requirements, even though the present lease will only expire in six years' time. This may provide the option to the MCCAA to move to these new premises should thus be feasible at the end of the current lease. If a Government-owned property is not found, an expression of interest will be issued in line with the Public Procurement Regulations.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Agreement with Transport Malta			A valid contract is now in place.	
The process of drafting new agreements is to be planned well in advance so that contracts are signed in a timely manner. This will ensure a smooth transition from one contract to another.			The MCCAA explained that, with reference to TM, they are in direct competition with the private sector to be awarded the contract. As such, the award of this contract does not depend on the MCCAA, but they are nevertheless interested to submit their offer when TM issues an expression of interest/tender. In addition, given that the current contract provides the possibility of extension, the MCCAA will initiate discussions in this regard.	December 2016
Management is to invariably ascertain that there is an adequate audit trail of the approved rates, so that amounts charged can be easily corroborated by third parties. This also facilitates business continuity in the event of a change in roles and responsibilities within the Authority.	✓		Internal control systems currently in place are being enhanced to mitigate the risk of task orders not being logged in the system.	June 2016
			A new billing procedure will be introduced.	September 2016
In line with standing regulations, formal authorisation is to be obtained prior to working overtime, including justification for the request, the total number of hours of overtime being requested, and specific targets to be attained during the extra hours of work.			A policy will be drawn with regard to overtime approvals.	June 2016
			Negotiations will be held with Transport Malta with regard to the possibility of having the contract renewed at the end of the year.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Certification of Services Management is encouraged to consider implementing a focused income recording system that would provide the benefits of embedded internal controls within the revenue cycle, whilst also ensuring that all services provided are invoiced. Pricing schedules are to be kept updated to reflect prevailing rates and to ascertain that the Finance Section is informed accordingly of any related changes.	✓		The Finance Section has been granted viewing rights to the database maintained by the Standardisation Directorate. In addition, the reconciliation exercise will be formalised and structured. With respect to Motor Vehicle Repair Garages, a reconciliation exercise between the list of certifications and the actual deposits is being performed. The pricing schedule is reviewed as and when deemed necessary. Subsequently, internal meetings between the Standardisation and Finance Directorates are held. The prices were updated internally and the Standard Metrology Institute (SMI) is keeping all records up to date.	Implemented May 2016 Implemented Implemented Implemented
CONTROL ISSUES				
Absence of a Fixed Asset Register Inventory records are to be accurate, as well as complete, and prepared in a timely manner, so as to ensure effective controls over the tracking and valuation of fixed assets.	✓		A Fixed Asset Register module will be integrated in the Sage Evolution software.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Payroll Issues Personal files are to be kept updated with all the necessary documents, especially those relating to emoluments. Besides enabling ease of reference as well as verification by third parties, this ensures a smoother transition in the event of a change in Human Resources personnel.	✓		The MCCAA purchased the DAKAR HR and is currently discussing relevant issues with a view to purchasing further enhancements prior to its implementation. Furthermore, the MCCAA will ensure that personal files are kept updated and documents properly filed.	September 2016 May 2016
Cleaning Service In order to safeguard the provision of the service, the Authority is to ensure that the necessary arrangements, such as applicable contract extensions, are in place. Additional expenditure outside the scope of the contract is to be duly authorised.	✓		A framework tender for cleaning services will be issued by the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties. The MCCAA will acquire the cleaning services under this agreement.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Control on Transport and Related Expenditure				
No Formal Agreement with the Fuel Supplier MCCAA is to ensure that a formal contract is entered into; specifically indicating the registration number of the vehicles authorised to be refuelled at its expense. The binding terms and conditions are also to be outlined.	X	Undertakng a formal contract with a fuel supplier is not in line with PPR, therefore discussions with the Financial Policy and Management Division within MFIN will be carried out to ascertain that any action as regards transport is done in line with standing guidelines and circulars.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Fuel Expenditure The Authority is encouraged to implement FMS in order to benefit from controlling features embedded in the system. These include an audit trail which logs all user transactions, a record of vehicle odometer readings at the time of refuelling, as well as the details of the entrusted employee. The system also provides controls based on the relevant circulars in force, which do not allow further refuelling once the limit is reached.	✓		The MCCAA is making use of a fuel key (ibutton function) which limits the intake of fuel per month. It is also requesting the petrol station operator to generate a report showing fuel consumption, which will also be vetted by the Finance Directorate. Furthermore, a FMS has been installed and MCCAA staff is undergoing training.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Vehicles for General Use Logbooks are to be properly kept for each and every general use vehicle, indicating each journey performed, the purpose of trips made and exact mileage covered, in order to enable proper verification. The attention of Management is being drawn to the relative guidelines outlined in PSMC to regulate the use of such vehicles. The Authority is encouraged to use the specimen logbook for all vehicles, as found in PSMC Appendix 8.I, thus ensuring that adequate details of each journey performed is recorded. The same guidelines also require that a certificate, as per PSMC Appendix 8.II, is entered on each logbook at the end of each month, confirming that the trips recorded in the logbook were made on official duty.	✓		An Internal Audit Report was drawn up in order to rectify any anomalies in the use of the logbooks.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
VAT Concerns Management is to regulate its position. Thus, all suppliers who have been paid for goods or services are to invariably provide the Authority with supporting fiscal documentation. Other types of receipts are acceptable only when suppliers are exempt from registering for VAT. Moreover, the VAT Department is to be informed of the designated officer who is responsible for the compliance of the return in line with the above-mentioned circulars. Quarterly returns, highlighting those suppliers not complying with VAT regulations, are to be duly filled and submitted to the VAT Department in electronic format.	✓		The VAT Department was informed of the designated officer who will be responsible for the compliance of the returns in line with the respective MF circulars. VAT Returns were submitted as required.	Implemented Implemented
Biannual Return of Allowances not prepared Management is to ensure that all allowances are reviewed regularly in order to ascertain whether the conditions under which they were granted are still valid. The relevant information is to be collated and the return submitted on a regular and timely basis.	X	A clarification was obtained from MFIN where it was confirmed that entities are not required to submit the return.		

Ministry for Economy, Investment
and Small Businesses

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Non-submission and Lack of Verification of Monthly Reports – Player Liability Reporting NAO recommends that internal controls in relation to both PLRs and tax reports are introduced immediately. Particularly, the submission of the latter should be required by regulations, and a procedure put in place to assess these submissions. Furthermore, MGA should consider requesting an independent auditor's report in relation to taxation due from licensed gaming operators. This report could then be used as a tool to ascertain whether the taxation received is correct.	✓		The MGA has employed two financial compliance officers within the Compliance Directorate whose roles and responsibilities include those of receiving the newly introduced monthly player liability returns and analysing the contents therein. These officers will also ensure the submission of these returns, with multiple non-submissions being reported to the Enforcement Directorate for further action. Shortfall of funds reported in player liability returns will also be immediately investigated.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of verification of Monthly Tax Reports submitted by Operators NAO recommends that internal controls in relation to Monthly Tax Reports are introduced. Particularly, the submission of the reports is required by regulations and a procedure put in place to assess these submissions. Furthermore, MGA should consider requesting an independent auditor's report in relation to taxation due from licensed gaming operators.	✓		During the last 2 months, the MGA has set up a fully-fledged revenue assurance unit. This unit has developed a risk assessment process which will regularly categorise licensees as low, medium or high risk from a tax leakage point of view. Revenue assurance policies and procedures have already been formally included in the MGA's policy manual, and the MGA's Audit Committee has endorsed this risk -based approach to tax leakage risk. Licensees categorized as high risk will also be subject to a financial compliance review. The introduction of regulatory accounting returns will feed into the revenue assurance unit's responsibilities of ensuring that any declared gaming tax is in line with an independently audited financial statement.	December 2017

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of verification of Monthly Tax Reports submitted by Casinos and the National Lottery Operator NAO recommends that internal controls in relation to Monthly Tax Reports are introduced. Particularly, the submission of the reports be required by regulations and a procedure put in place to assess the submissions of the Casino and the National Lottery operators. Furthermore, MGA should consider requesting an independent auditor's report in relation to taxation due from licensed gaming operators.	✓		The MGA takes note of this observation and relevant recommendations. The Authority wishes to note that, the monthly reports received from the National Lottery and the Casinos, provide full visibility of the taxation breakdown in the different gaming segments as stipulated by the regulations. The MGA was able to recalculate the total revenue by grossing up these monthly reports and was also able to reconcile the financial statements submitted by these operators. The MGA is currently in the process of improving its procedures in relation to the gathering of financial information.	December 2017 May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Taxation not Paid as it Falls Due It is recommended that MGA closely monitors gaming operators holding either Class 2 or 3 licence to ensure that their taxation is paid in line with the revenue they earn, in accordance with regulations and within the established timeframes.	✓		The MGA will be ensuring that collections are made within the established timeframe.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
No Procedure to Address Shortfalls in Player Liability Reports The Authority is to ensure that shortfalls are closely monitored and that necessary action is taken in a timely manner.	✓	.	There is now a set-up within the Compliance Directorate and a specified procedure for analysing player liability reports and ensuring the immediate investigation of shortfalls in players' funds kept in client bank accounts. As per the current procedure, details of operators who fail to address any shortfall will be passed on to the Enforcement Directorate for the necessary enforcement actions.	Implemented
			An Anti-money Laundering Unit within the Enforcement Directorate, comprising of the Head AML and two other staff members, was set up on 4th April 2016.	Implemented

Ministry for the Family and
Social Solidarity

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Lack of Sufficient Verification during the Application and Evaluation Processes NAO recommends that DSS formalises the procedure surrounding the filing of applications, as well as their assessment, to ensure that the Department is adopting a uniform approach in relation to all applications received. It is important that officers within DSS obtain corroborative evidence to sustain the declarations made by the applicant. This may include, but should not be limited to, the applicant's TP together with other legal and financial documentation. Any assessments carried out should also be properly documented in the respective file to ensure that an audit trail is available for future assessments and reviews.	✓		A Business Intelligence Unit has been set up for this purpose. Assessments are being carried out and respective documentation filed accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Payment of Arrears in Excess It is recommended that a periodical review of all personal files is carried out to ensure that any errors are detected as early as possible and corrective action is taken in a timely manner. Moreover, before issuing arrears of benefits, it is imperative that the relative calculations and supporting documentation are thoroughly checked before effecting payment.	✓		Standard Operating Procedures will be drawn up, random checks will be performed, documented and endorsed accordingly. In addition, an electronic system is being planned so as to provide the necessary checks; these will still be complemented by manual checks.	December 2016 December 2017
Transfer of Property not considered for Means Testing NAO recommends that the Department gathers all the necessary information and documentation to assess the case concerned. Moreover, the means testing should be reviewed periodically, to assess whether the claimant is still eligible to receive such assistance.	✓		Assessments are being carried out and respective documentation filed accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Change in Circumstances not reported to Department a. The Department should consider being more cautious when it comes to payments of arrears for a number of years. Notwithstanding the social implications of every case, NAO recommends that the principles of Article 102(1)(ii) of SSA are applied. In the spirit of the provisions of this Article, in cases where the claimant has failed to inform the Department in a timely manner of a change in circumstances which will result in arrears, the Department should consider only paying back arrears up to the last two years. This would ensure good governance and safeguarding of public funds. Therefore in the first case discussed in this observation, NAO recommends that DSS should recoup part of the arrears forwarded to the beneficiary.	✓		a. Regular in-house training on the Social Security Act will be provided to assessors. Training will start in May 2016, and will thereafter be ongoing.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
b. NAO also recommends that the Ministry enhances its operational system by amalgamating its data with real-time information released from ETC and other Government Entities, so as to ensure that all data pertaining to a particular beneficiary is gathered and analysed before any benefits are paid out by DSS. Periodic reviews of claimants could minimise the possibility of overpayments and ensure that benefits are distributed to those most needing them.			b. The majority of the data is being uploaded directly from the ETC, therefore eliminating the possibility of any human errors. In instances where human intervention is required, the process has been centralised and is being monitored by the Director's Office.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Errors in Calculation of Social Assistance It is recommended that DSS recalculates the rates of assistance due to all those individuals participating in the Community Work Scheme. Furthermore, the Department is to exercise caution when affecting one-off payments to reduce the possibility of error to a minimum.	X	The Community Work Scheme has been terminated and replaced by CWS Enterprise as per 2016 Budgetary Measures. It is not considered as economically viable to review all files taking into consideration that the difference would amount to 0.05 Euro cents per week.		
Non-deduction of Benefits In cases where beneficiaries are claiming that their child is registered as'unknown father' but there is evidence to the contrary, NAO recommends that the Department takes a standard approach, such that similar cases are treated in the same manner.	✓		On the strength of legal advice from the Attorney General, all cases are being tackled using a uniform approach. Moreover, standard operating procedures are being drafted accordingly.	May 2016 June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Incorrect Rate of Recovery NAO recommends that, as far as possible, recovery rates are not lowered further than the threshold established by SSA, to ensure that amounts due to the Department are fully recouped within a reasonable timeframe.	✓		An analysis of cases where the recovery rate is that of 5% will be carried out in order to eliminate any possible errors.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
KEY ISSUES				
No evidence of a Definite Approval for a Direct Order When requesting Direct Order approvals, Management is to ensure that instructions from MFIN are adequately observed, so that the actual costs to be incurred are brought to MFIN's attention, before granting definite approval.	✓		Whilst acknowledging that Direct Orders are to be resorted to only in exceptional circumstances, in such cases, prior approval will be duly sought so as to be in line with the Public Procurement Regulations.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Fabricated and amended Documents following NAO Queries It is invariably unacceptable to provide altered documents to NAO following queries raised during the audit. Replies should always be honest, accurate, factual and original documents should be forwarded without any type of modification or change. Management is to ensure that officers entrusted with the upkeep of records are aware of their responsibilities and that any type of information forwarded to third parties should be trustworthy.It is also important to maintain proper records for a sound system of internal control, as well as a reliable audit trail.	✓		Disciplinary action will be taken in similar circumstances. Summary discipline has been taken in the case indicated by the NAO. Instructions to maintain proper records were circulated among the staff.	May 2016 Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
CONTROL ISSUES				
Shortcomings in relation to General-use Vehicles Any supporting documentation, especially contract agreements in respect of hired vehicles, are to be appropriately maintained for future verification. Management is recommended to refer to the PSMC, in particular section 8.2.4 to regulate the use of general-use vehicles, possibly augmented with a vehicle tracking system. These guidelines stipulate that a proper logbook should be kept for each vehicle to record the exact mileage covered and other journey details. It is also recommended to refer to section 8.2.5 of the PSMC, which requires each logbook to be certified by the officer in charge transport at the end of each month, to ensure that the trips recorded in the logbook were made on official duty and fuel consumption is reasonable. Moreover, full details regarding fuel intake are to be clearly recorded on every logbook as per Appendix 8.I of the PSMC, as a means to verify each vehicle's fuel consumption.	✓		A tender for a financed lease was published on the 5th of April 2016. Logbooks are being maintained for each vehicle. Fuel intake is being monitored through the FMS. Management will ensure that logbooks are being kept in accordance with PSMC regulations.	Implemented Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Timesheet lacking Endorsement in respect of Nursing Service Management is to ensure that any supporting documentation on which payment is based, is vetted for correctness and properly certified, before being processed for payment, more so if specified on the contract itself.	✓		Action has been taken to verify and certify attendance sheets.	Implemented
Shortcomings related to Fuel Reimbursement Every effort is to be made to ensure that claim sheets are duly endorsed, verified and tallied prior to effecting payment, in order to avoid any discrepancies.	✓		Claim sheets are being endorsed by the respective manager.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Manual Attendance System still in place Even though it is understood that the installation of an AVS in all the Sedqa Units concerned will be costly, Management is still encouraged to review its current attendance record system and adopt an electronic system which best suits its needs. An electronic system will not eliminate all risks, but will drastically reduce errors which are more prone to arise from the manual system. Moreover, in addition to providing reliable and accurate records, such system may also result in better perception of transparency and fairness for all employees.	X	Recommendation has been noted. An assessment is being carried out on the viability and feasibility of implementing such a system, particularly in view of industrial relations.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Lack of Certification of Attendance Sheets For control purposes, all attendance sheets are to be supervised on a daily basis by the respective Unit Leader/ Manager and certified by same. Under no circumstance whatsoever should officers certify their own attendance sheets. It is also important that Management acknowledges the fact that when endorsing attendance records, it is assuming responsibility that these are correct in every detail.	✓		Attendance sheets are being verified by the respective managers.	Implemented
Weaknesses related to Time Off In Lieu Controls over recording of TOIL is expected to be strengthened to ensure that records are appropriately updated. Moreover, no authority is to be granted to officers to avail of TOIL, if the latter have not accumulated sufficient hours to cover their request.	✓		No authority is to be granted to officers to avail themselves of TOIL if they have not accumulated sufficient hours to cover their request.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Shortcomings related to Vacation Leave If the extra hours given to Care Workers are considered justified, FSWS is recommended to draw up guidelines or else incorporate a provision in the forthcoming Collective Agreement, stipulating the eligibility of such entitlement. It is recommended that for control purposes, all VL is properly authorised by the respective superior, by noting the date of such approval. Moreover, VL is to be authorised ideally prior to utilisation. Regular reconciliations, of attendance sheets against VL entitlement forms, are to be performed by the officer in charge on a regular basis, to ensure that any divergences are tackled in a timely manner.	✓		Management will ensure that leave entitlement is in accordance with the respective collective agreement or standing practices.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Incorrect Calculation related to Working Hours falling on a Public Holiday More attention and adequate verification should be carried out on a regular basis, between attendance sheets and the related records, to ensure they all portray the same correct details. This enables any variations to be tackled in a timely manner prior to payment. Moreover, as far as possible, segregation of duties is to be established, so as to include independent checking of records.	✓		Records are being regularly verified and the issue is not recurring.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
'Break Leave Allowance' not supported by the current Collective Agreement If the allowance in question is considered justified, FSWS is to coordinate with the Union, to incorporate a provision that clearly stipulates the eligibility and payment of this allowance in the forthcoming Collective Agreement or issue an agreed upon Addendum.	✓		The eligibility of this allowance will be analysed by the Management and discussed with the PACBU and the relevant union, and then incorporated in the new collective agreement once the present one expires in December 2016.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date when by
Inadequate Control and Various Weaknesses on Overtime performed The maintenance of proper, correct and reliable records is a fundamental element of a sound system of internal control over personal emoluments. Sedqa may consider reviewing the record-keeping process so as to ensure enhancement of the present manual system. Records should be double checked in order to avoid as many discrepancies as possible. Moreover, NAO is again recommending FSWS, to reconsider the introduction of an AVS, so that typical weaknesses, as outlined above, are minimised.	✓		Records are being double checked and duly endorsed by the supervisor.	Implemented
Payment of Allowances not supported by the respective Documentation It is imperative that any supporting documents on which payment is effected, are appropriately maintained for any future review.	✓		Supporting documents are being duly maintained.	Implemented

Ministry for Home Affairs and
National Security

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Lack of Fundamental Internal Controls Strong internal controls are essential in assisting OPS to mitigate financial risks and achieve its objectives to manage public funds entrusted to it more efficiently. It is also recommended that ongoing monitoring activities are carried out, to evaluate and improve on the effectiveness of internal controls. Spot-checking transactions or basic sampling techniques can provide a reasonable level of confidence that the controls are functioning as intended.	✓		A memo has been issued and officers have also been verbally informed to carry out and endorse the necessary checks with regard to attendance sheets, overtime, TOIL, payroll and payments to board members. Random checks will be carried out by the management so as to provide a reasonable level of confidence that the controls are functioning as intended.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Anomalies in the Employment and Salary paid to a High-Ranking Officer Management is to ensure that remedial action is taken to regulate the employment of the officer in question and to recoup the unjustified salary overpayments without delay. Moreover, for the sake of transparency, it is important to ensure that the position of this officer within the Ministry is regulated through the Public Service Commission. In addition, personal files are to be kept updated with all necessary documents, especially those relating to personal emoluments. These are to be adequately filed for ease of reference and to enable verification by third parties.	✓		Overpayments were recouped from the employee by IPSL (now RSSL). Personal files are being updated accordingly.	Implemented Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Documentation requested not provided for Audit Purposes Controls are to be in place for the proper checking of claims raised. Hence, Management is to ensure that source documentation forming the basis of payments is properly filed for future reference.	✓		Documentation is duly filed for any future reference.	Implemented
Recording and Verification of Attendance				
Absence of Attendance Verification System Besides being an effective means of capturing employee attendances, the use of electronic reading devices simplifies payroll calculations. In this regard, MHAS is encouraged to take action for such systems to be installed without unnecessary delay.	✓		Recommendation has been noted.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Attendance Records not verified on a regular basis In line with section 3.1.2.1 of PSMC "attendance registers are to be inspected and certified correct at the start of each week by Directors or senior officers authorised by them, who are to see that the previous week's record of attendance is complete in every detail, and all employees are accounted for". Once such checks have been carried out, the attendance records are to be endorsed, clearly indicating, the date, as well as the name and the grade of the officer performing the respective verifications.	✓		A memo reflecting all the NAO's recommendations has been issued. Action is being taken to ensure that it is strictly adhered to.	Implemented
Attendance Records certified correct as a way of formality Attendance sheets are to be supervised on a daily basis to ensure completeness and accuracy of the reported times.	✓		Action is being taken accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Shortcomings noted during an Onsite Inspection NAO reiterates the importance of an electronic device to record staff attendance, in order to mitigate the inherent risk of a manual system.	✓		Recommendation has been noted with regard to electronic attendance. Furthermore, a memo has been issued to inform officers regarding HR Guidelines and Regulations.	Implemented
Two Separate Attendance Sheets drawn for the Same Period Management is to acknowledge the fact that when endorsing attendance registers, it is assuming responsibility that such records are correct in every detail, and that the respective employees have all been duly accounted for.	✓		It has been confirmed that no double payments were effected. The NAO's recommendation has, however, been noted.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Leave and Temporary Absences				
Vacation Records not updated Regular reconciliation between attendance reports and vacation leave is to be performed by the officer in charge of Human Resources (HR), to ensure that the respective records are updated accordingly.	✓		Regular reconciliation is being carried out accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Excessive Sick Leave before the Commencement of Maternity Leave Whilst acknowledging that this is a delicate issue, Management is to ensure that this course of action does not become the norm. Pregnant employees are to be reminded that, in line with section 5.2.4.1 of PSMC, eight weeks maternity leave may be availed of, before or after confinement. In addition, as outlined in section 4.3.1.2 of PSMC, Managers are to ensure that days of sick leave are not paid for unless covered by a valid medical certificate, timely submitted to HR section, covering the number of days taken. Disciplinary proceedings should be initiated against officers who fail to abide by these procedures.	X	The Administration deems it unfair and insensitive that this case has been highlighted as a shortcoming when the sick leave availed of by this one pregnant employee was duly covered by medical certificates.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Time off in Lieu				
Necessary Approvals obtained retrospectively OPS is to be reminded that TOIL also comes at a cost to Government and thus is to be adequately certified and controlled. Management is to ensure that extra hours worked are properly logged. Head of Section is then to counter-check the hours detailed in the relevant request form against the attendance records, before endorsing his/her signature and passed to the respective Director for his final approval. Furthermore, requests for TOIL are not to be processed unless employees provide complete information in support of their claims.	✓		A memo has been issued instructing officers to adhere to the respective regulations. It will be ensured that TOIL will be planned and regulated. In addition, the necessary documents will be endorsed beforehand by the authorised officers.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Compensation for Extra Hours worked not in line with the Applicable Guidelines The provisions of PSMC are to be invariably adhered to. OPS is also to ensure that any TOIL granted to ineligible officers is immediately recouped. Furthermore, it is to be ascertained that requests for payment of extra hours are independently endorsed by the officer's superiors.	✓		'Requests for work after office hours to be compensated by TOIL' will be approved by the respective Director (signature accompanied by full name and date) before the work is actually performed. As per Memo 2/2015, the Head of Section will fill in such a form; it will then be endorsed by the Director and sent to HR. The provisions of the PSMC will be invariably adhered to.	May 2016
Shortcomings in the Application Forms for the Utilisation of Time Off In Lieu Management is to ensure that internal controls are operating effectively and are not being bypassed. This can only be achieved if all officers involved in the process understand their role and are held accountable in case they fail to carry out their duties properly. Moreover, officers entrusted with the monitoring and authorisation of TOIL are to ascertain compliance with the policies and procedures in place, prior to approving the respective requests and updating the related records.	✓		A memo has been issued to all officers informing them of TOIL regulations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Family Friendly Measures				
Non-Adherence to Flexi-time and/or Telework Conditions Before granting any telework and flexi-time arrangements to new employees, Directors are to ensure that the guidelines and regulations set in PSMC are abided with. Thus, OPS is encouraged to instruct employees to regularise their positions. The personal files are also to be updated with all relevant documentation. Moreover, telework arrangements are to be revisited. Hours worked from home are expected to be monitored closely so as to avoid possible abuse. A new telework agreement is to be signed only after evaluating the various factors that may affect the performance of the section in which the employee is posted. Furthermore, agreements are to include full details and are to be signed prior to the commencement of such measures.	✓		PSMC guidelines and regulations are being strictly adhered to. A memo has also been issued to ensure adherence. Furthermore, the management will be carrying out random checks to ensure conformity with regulations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Boards and Committees				
Lack of Transparency in the Claims for Payment raised by Members on Boards and Committees OPS is to ascertain that unless claims for payment are duly supported by a proper copy of the Board minutes, and where possible by a detailed description of the work carried out, especially in the case of extra sessions, these are not to be honoured. This office acknowledges the stand taken by OPS during 2015, whereby a memo was issued by the Permanent Secretary (MHAS), outlining the new procedure to be adopted when drawing up a claim for remuneration for each member of the Board and/or Committees. In such correspondence, particular emphasis was given to the fact that the respective Chairpersons are to certify all claim forms as true, correct and complete and that any detail included therein is to be easily corroborated with the respective Board minutes. Furthermore, it is to be ensured that OPS keeps the required documentation in relation to the formation of Boards and Committees, which is to be filed for future reference.	✓		Action is being taken to ensure compliance with recommendation.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Remuneration paid to Board Members in excess of the Approved Amounts Strong internal controls are to be implemented in order to ensure that the claims submitted by Board Members are thoroughly checked and certified correct prior to the issuance of the respective payments. Moreover, OPS is to carry out a thorough exercise on the amounts paid to Board Members, since inception of the respective Boards, and any overpaid amounts are to be recouped without undue delay.	✓		Claims submitted for payment are being checked and certified as correct. An exercise to recoup overpayments has been initiated.	Implemented June 2016
No Official re-appointment of the Board of Visitors for Detained Persons In line with the Board of Visitors for Detained Persons Regulations, the Board is to be appointed annually.	✓		All board members have been officially appointed and, upon the expiration date of appointment, will be reviewed for a period of one year.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Incorrect Tax Deductions from Payments made to Board Members OPS is to ensure that the tax rate of 20% as stipulated in the pertinent circular is deducted from the income paid to Board and Committee members. In the event that the payee, other than a pensioner, is aware that he falls in a lower tax band, authorisation is to be sought from the Inland Revenue Department to reduce the withholding tax from the foregoing default rate.	✓		An exercise is being carried out to ascertain that the correct tax rate is being deducted from the remuneration of board members.	May 2016
Delays in drawing up Reports on Fireworks Factories after Inspection To ascertain that the submission of the relevant reports is not prolonged unnecessarily, Management is to release the related payments solely upon presentation of the respective reports.	✓		Recommendation has been noted and taken up.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Personal Emoluments				
Inaccurate Calculations In order to establish an efficient system, a review of the payroll processing procedure is to be carried out. The Accounts Section is to ensure that any amendments to salaries are passed to the Central Salaries Section in Gozo instantaneously, so that necessary changes are processed in due time. Furthermore, to achieve a reasonable level of efficiency without compromising accuracy, independent checking is recommended. Moreover, all documentation on which payments are based is to be vetted for accuracy before this is certified correct and passed for payment, as stipulated in Article 52 (3) of the General Financial Regulations. With respect to the issues related with the officers at the Detention Service, it is recommended that for proper management of public funds, any unjustified payments are withheld until pending developments on the applicable agreement are cleared and a decision on whether these funds are to be offset or refunded is eventually taken. In addition, OPS is encouraged to review all overpayments issued and recoup all amounts which were not due.	✓		The payroll process had been reviewed and the necessary checks with regard to payroll adjustments are being carried out and documented by another official. Overpayments, including those related to the Detention Services, have been recouped.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
OTHER MATTERS				
Expenditure falling outside the Remit of the Office of the Permanent Secretary Expenses are to be borne by the entity that is actually incurring them.	✓		Recommendation has been noted and action taken accordingly.	Implemented
COMPLIANCE ISSUES				
Temporary Absences Records not held Temporary absences are to be resorted to only in urgent and exceptional circumstances. Furthermore, Management is to ensure that, in line with Section 3.1.2.3 of PSMC, such absences are recorded in the Temporary Absences Record Sheet and authorised by the senior officer in charge, who should initial the entry. Disciplinary action is to be taken in cases of unauthorised absences.	✓		Recommendation has been noted and action taken accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Necessary Approvals not sought for the Engagement of an Adviser In line with standing regulations, approval from the right level of authority is always to be sought before engaging advisers.	✓		Authority is being sought as per standing regulations, and necessary documentation is being filed accordingly.	Implemented
Postings to Incorrect Line Items More diligence is to be exercised when allocating expenses, to ensure that amounts spent are correctly reported under the pertinent line item, as this could affect future budgets.	✓		Recommendation has been noted and action taken accordingly.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Deteriorating Working Capital PBS is to resolve its liquidity problems as it is important to ensure that it has adequate working capital.	✓		Financial statements audited by independent auditors for the period covering 2014-15 show marginal Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) when compared to 2013-14 and 2012-13. Revenue from commercial activities and sponsorships registered a positive outcome. 2016 is showing a positive outlook, since the PBS is aggressively addressing the financial performance of the company. Every effort will be made by PBS to reach break-even by the end of the 2018 financial year.	September 2018 September 2018
CONTROL ISSUES				
Cash not accounted for Cash is to be accounted for immediately upon receipt and deposited to bank accordingly. Furthermore, appropriate internal controls are to be in place, such as reconciliation of cash received and deposited, against the number of tickets sold, as well as periodic physical checking, to reduce the risk of misappropriation.	✓		The PBS has established internal cash handling practices. Action was taken to formalise cash procedures. Moreover, periodical cash counts and physical checks of the safe contents are being performed.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Substantial Amounts paid from Petty Cash Whilst acknowledging that approvals were obtained to increase the cash float, petty cash is expected to be used solely for trivial everyday costs. Conventional bank transfers should be preferred payments in cash.	✓		Recommendation has been taken on board and petty cash float has been further reduced.	Implemented
Deferred Payments Invoices are to be settled on time in order to avoid any possible extra charges. Deferred payments are to be kept at the absolute minimum.	✓		Improving the cash flow position of the company has enhanced the ability of the PBS to meet payment terms. Some creditors will be offset by performing exchanges of cheques. Furthermore, a cash flow strategy will be established to tackle the remaining balance due. A plan is being drafted to manage the long outstanding creditors.	Implemented September 2016 September 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Documents not readily available Documentation is to be filed appropriately for ease of reference, as well as for audit purposes, to ensure that the required documents are always available in a timely manner.	✓		Action has been taken accordingly.	Implemented
Lack of verification Endorsing officers are to be held accountable in the eventuality that they fail to carry out the necessary verifications properly before payment is made.	✓		Proper checks and internal controls will ensure that the PBS does not make any overpayments to suppliers. These controls, together with segregation of duties, will contribute towards the enhancement of corporate governance, controls and accountability. In the eventuality of major, extraordinary events, a project manager will be appointed to ensure that all expenditure is adequately approved, verified and endorsed.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Hours performed without a Rest Break It is advisable that the regulations outlined in the pertinent employment legislation are adhered to. This will not only ensure regularity but will benefit the employees themselves, since taking assigned breaks is necessary to recover from fatigue.	✓		Recommendation has been taken on board and breaks are being taken in line with employment legislation.	Implemented
Non-compliance with VAT Legislation Officers in charge are to ensure that they are furnished with proper tax invoices meeting the criteria set out in the VAT Act. Invalid tax invoices provided by the supplier and/or service provider are not to be accepted.	✓		It is being ensured that all invoices meet the criteria set out in the VAT Act.	Implemented

Ministry for Finance

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Delays in replying to NAO Queries Auditees are to cooperate with NAO auditors and forward any required documentation or information on a timely basis. This facilitates NAO work in identifying inefficiencies, and present appropriate recommendations to the entity being audited.	✓		The delay was mostly due to lack of manpower and very short timeframes. However, this issue is being addressed by increasing the staff complement in this section.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Salaries				
Incorrect Amounts paid to Officers More attention is to be placed when implementing changes in salary related to promotions and progressions, thus limiting, as much as possible, errors in the respective computations.	✓		Gozo Central Salaries is being informed as early as possible with regard to any changes in salary. Issues are also being referred to the Assistant Director (HR) when this is deemed necessary. A new process has been introduced by the Detail and Personnel Section whereby all the relevant monthly changes and/or adjustments are being inputted in a common database. This common database helps to minimise possible errors or double entries. A Standard Operating Procedure will be drawn up with regard to escalation procedures. Following completion of SOPs, a circular will be issued to the Detail and Personnel Section so as to inform them accordingly. In addition, supervisory checks will be introduced to ensure accuracy. Furthermore, urgent changes will be limited to the absolute minimum.	Implemented Implemented May 2016
Allowances				
Inaccurate Allowances paid to Officers CD is to ensure that the rates and amounts of allowances due to officers are thoroughly checked so as to minimise adjustments to subsequent salaries. Allowances are to be paid to officers strictly up to the day they are entitled to receive them. Furthermore, CD is to ascertain that the Gozo Salaries Section, responsible for processing salary, is timely informed of all changes which effect such payments, and that all allowances are paid in the period where they are due.	✓			

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Hours worked in compensation for Flexibility Allowance not always evidenced Customs Class employees' attendance is to be thoroughly monitored to ensure that additional two hours per week are being performed without fail.	✓		Proper checking and endorsing of attendance sheets is to be carried out in relation to the extra 2 hours work per week being performed, in view of which officers are entitled to the Flexibility Allowance.	May 2016
Incorrect Deduction from Flexibility Allowance Entitlement Whilst deductions to the flexibility allowance entitlement are to be effected as per the relevant Memorandum, more attention is to be placed when calculating the actual amounts to be deducted, thus reducing the incidence of errors.	✓		Staff complement has been increased to tackle this issue. Supervisory checks will be introduced to minimise possible errors.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Overtime				
Supporting Documentation for Overtime and Allowances not made available for Audit purposes CD is to ensure that the forms recording the relevant details when overtime is performed at merchants' request are duly raised. These forms are to be appropriately filled in, endorsed by the parties involved, as well as adequately filed for ease of future retrieval.	✓	This issue is due to a pending court case, however the necessary checks are in place.	Supervisor and Assistant Director will be endorsing the necessary forms until the court case is concluded so as to ensure correctness of records.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Requests for Approval of Overtime Work not raised A detailed analysis of the necessary additional hours and required personnel is to be prepared prior to the performance of overtime work. CD is also to ensure that these overtime requests are duly authorised by the Permanent Secretary, as per PSMC.	✓		Overtime requests are being duly authorised by the Permanent Secretary. A detailed analysis of the required additional hours will be attached to the request to the Permanent Secretary.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Incorrect Payments for Overtime performed at Merchants' Request Overtime performed at merchants' request is to be thoroughly vetted against the original source documentation, in order to ensure that the correct amounts are paid to officers and charged to merchants. This should avoid having to resort to additional corrective measures, which could be time-consuming, as well as cause an unnecessary strain on the Department's resources.	✓		Supervisory checks will be introduced to minimise possible errors. All checks will be duly endorsed and dated.	May 2016
Attendance Sheets				
Manual Attendance Sheets still in place CD is to consider more effective means of recording attendances.	✓		Recommendation has been noted.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Attendance Sheets not endorsed by a responsible Officer An officer from each Section is to be held responsible for ensuring that the details contained in the respective attendance sheets are correct.	✓		All efforts will be made in order to ensure that adherence to the relevant circular issued is maintained.	May 2016
Shortcomings in Attendance Records All officers are instructed to clearly log the actual clockings, including overtime hours, as well as any absences from the normal work schedule without absence or fail. Prior to certifying attendance sheets, responsible officers are to ensure that these have been adequately filled in. Any missing details are to be looked into and, if necessary, an explanation provided in the remarks column.	✓		A circular regarding attendance sheets was issued emphasising the following five main points: 1. No pre-printing of clockings; 2. All vacation/sick leave should be recorded on the attendance sheet; 3. Proper recording of assigned section; 4. Endorsement by responsible officer; 5. All endorsed attendance sheets to be sent to Detail/Personnel Section by Monday of the following week.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Missing Attendance Sheets All attendance sheets are to be appropriately filed for future reference.	✓		Documentation is stored at Detail and Personnel Section. The staff at these sections was directed accordingly. Supervisory checks will also be introduced.	Implemented May 2016
Leave				
No Formal Application for Vacation Leave In order to facilitate vacation leave management, including application for leave by employees, authorisation and the eventual updating of records, CD is to consider investing in an electronic system for recording vacation leave. This would ensure that authorising officers are immediately notified of any requests for vacation leave, and the HR Section is timely informed of the respective approvals.	✓		Recommendation has been noted.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Requests and Approvals for Accumulation of Vacation Leave not made available for Audit purposes All requests and subsequent approvals for accumulated vacation leave are to be systematically filed and retained for future reference.	✓		A circular was issued reminding staff that the maximum accumulation of vacation leave should not exceed 96 hours. The latest request for accumulation of vacation leave is 30th November 2015, which gives ample time (one month - December) to clarify any issues before the end of the year.	Implemented
Vacation Leave availed of not deducted from Entitlement Since vacation leave records are updated solely from information obtained from attendance sheets, more care is to be placed when manually inputting such information. The occurrence of errors would be largely reduced if an electronic vacation leave management system is implemented.	✓		Supervisory checks will be introduced.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Discrepancies between Absences Reports and Attendance Sheets CD is to consider more effective vacation leave management systems, which would largely reduce the incidence of such discrepancies.	✓		Supervisory checks will be introduced as a compensatory control measure in order to reduce the instances of such discrepancies.	May 2016
Incorrect Deduction of Sick Leave for Pensionable Staff Whilst all provisions of the PSMC are to be adhered to, CD is to strive to maintain accurate sick leave records and provide the correct treatment for officers employed within the Department, taking into account whether the officer is pensionable or otherwise.	✓		The CD will organise in-house training in order to assist officers (Detail and Personnel Section) with the processing of sick leave for pensionable staff.	June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
OTHER MATTERS				
Unauthorised Accumulation of Time Off In Lieu More control is to be exercised over the accumulation and availing of TOIL, and both procedures are to be duly authorised. Furthermore, time-off is to be resorted to only in exceptional cases. If work exigencies necessitate that officers perform additional hours on a daily basis, the Department may consider different options from the current arrangement.	✓		The CD management will ensure that time-off is to be resorted to only in exceptional cases.	May 2016
Clauses of Telework Agreements not adhered to In the event that telework arrangements need to be changed due to work exigencies, such amendments are to be duly authorised and recorded in the respective officer's personal file.	✓		Such amendments are to be duly authorised and recorded. When changes are requested by the employee, both the request and its approval will be attached to the attendance sheet.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Records of Personal Emoluments not centralised The Department's procedures on the maintenance of records relating to personal emoluments are to be reviewed and the centralisation of related processes thoroughly studied. Any possible improvements to simplify the retrieval of records, identified from this exercise, are to be implemented accordingly.	✓		A centralised system will be established.	March 2017

Ministry for Energy and the
Conservation of Water

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Non-compliance with Public Procurement Regulations with respect to Legal Services Local and European Union procurement regulations, where applicable, are to be followed in order to ensure transparency, accountability and to provide equal opportunity to all interested parties. It is also highly recommended that projections of total costs are made prior to engagement of any service provider, and where applicable, a call for tenders for such legal services is to be considered. Moreover, whenever a DO is required, such requests are to be forwarded prior to the engagement of the service provider. It is also recommended that any conditions laid out by MFIN on DO approvals are to be invariably followed. Also, the Ministry is to ensure that procurement of services is at all times supported with a valid Contract Agreement.	✓		Circular was reissued to reinforce adherence to Public Procurement Procedures. Prior DO approvals are being sought as per Public Procurement Procedures. Every effort is being and will continue to be made to estimate projections of total costs beforehand, which will in return be monitored through detailed timesheets. Costs will be monitored through detailed timesheets and a threshold will be included.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Non-compliance with Public Procurement Regulations in connection with Energy Conference The Ministry is to ensure that, whenever possible, quotations are obtained prior to the supplier selection. Otherwise, adequate approvals are to be obtained prior to the engagement of the service provider. Furthermore, the Ministry is to enforce budgetary control measures to, as far as possible, minimise variances from the original budget. This will enable more flexibility and control on the available funds.	✓		The Ministry always strives to follow the spirit of Public Procurement Procedures with regard to quotations and payments, and to undertake market testing. Prior DO approval is sought as per Public Procurement Procedures.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Shortcomings in relation to Personal Emoluments It is recommended that overtime hours are justifiable and reduced to an acceptable low level. Approvals are to be in line with PSMC requirements, not to instigate any form of abuse or ethical misconduct. Whenever possible, overtime should be limited to *ad hoc* assignments with specific targets to be attained. Moreover, break periods are to be taken by all officers working for more than six consecutive hours, as required by law, whilst all overtime must be adequately approved in advance. This will render a more efficient environment *vis-a-vis* personal emoluments, to ascertain value added to MEH and Government in general.	✓		All overtime requests are being authorised. Breaks are taken by all officers when working for more than 6 consecutive hours and deducted from their pay. All efforts will be made so that the whole procedure is in line with PSMC requirements, and to cap overtime hours without compromising the daily operations of the Ministry.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Shortcomings in relation to General-use Vehicles It is recommended that the Ministry follows the provisions of MF Circular No. 4/2005 – 'Purchase/ Lease of Motor Vehicles', and abides by the directions given by MFIN with respect to the rental or purchase of such vehicles. MEH is also expected to maintain a proper logbook for each of its general-use vehicles, in line with Government standing regulations.	✓		MFIN approval is sought. Logbooks are being maintained. The MEH (Energy) will abide by the directions given by the MFIN with regard to the threshold of rental or purchase of vehicles. Every effort will be made to include the level of detail in logbooks as per Government Standing Regulations. The Ministry will also explore alternative electronic/automatic logs.	Implemented Implemented Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Discrepancies in Inventory				
It is recommended that periodic checks are carried out on inventory items to ensure that any discrepancies are recognised. Moreover, inventory items are to be identified with a unique code for ease of reference.	✓		The inventory has been brought up to date and is continuously being updated to reflect new furniture additions.	Implemented
			Periodic checks will also be carried out on inventory items.	May 2016
Fixed asset additions are to be immediately forwarded to the officer in charge of inventory for eventual recording in the respective records, to safeguard assets owned by Government.			The MEH (Energy) will be embarking on a project concerning a barcode system for inventory items.	August 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
COMPLIANCE ISSUES				
Lack of Compliance with Standing Travel Regulations The provisions of PSMC are to be invariably adhered to with respect to travelling expenses, to ensure that appropriate budget provisions are made and the most competitive prices are obtained. Additionally, reports on each visit are to be compiled by the attending officer(s) by not later than one month after the visit, to enhance accountability and to make sure that any issues are adequately followed up.	✓		A minimum of 3 quotations are always obtained for all flights. An internal circular has been issued to all respective officers travelling on official duties, regarding submission of travel documents. The MEH (Energy) will also ensure that the provisions of the PSMC are strictly adhered to.	Implemented
Vat Returns not submitted Management is to ascertain that pertinent regulations are adhered to and Returns are submitted to VAT Department on a regular basis to report defaulters. Nil Returns are also to be forwarded accordingly.	✓		All returns are being submitted accordingly.	Implemented

Ministry for Health

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Weak or Lack of Internal Controls MCH should immediately strive to establish effective measures to implement robust internal controls and reduce unnecessary costs. Thus, especially in view of the amounts involved, one may consider to set up an internal audit section to assist Management in attaining its goals.	✓		The management will be taking the necessary measures to ensure that a robust internal control system is in place and unnecessary costs reduced.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Consistent use of Overtime A long-term solution is required to address this issue, bearing in mind the recurring costly overtime expense. In this regard, Management is encouraged to conduct a holistic review of MCH operations with the aim of identifying a realistic staff complement required, and to establish the optimal cost efficient arrangement.	✓		The management agreed that a long-term plan should be implemented in order to have more resources available, thereby reducing the need for overtime. The strategy includes the following: 1. Establishing a clear policy on one-to-one supervision that needs to be adhered to and strictly enforced; 2. Relocation of patients; 3. Supervision from a separate unit to be established independently from nursing management and 4. Overtime policy to be established and implemented, together with the reassessment of rosters and shifts.	March 2017 Phase 1: December 2016 Phase 2: June 2017 June 2016 March 2017

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Excessive Extra Duty Hours worked Planned rosters are to limit, as far as possible, the extra hours of duty for doctors up to a reasonable amount, in order to safeguard the health and safety of the latter. As a result, excessively long working hours will be avoided.	✓		Recommendation has been noted. This will be discussed during the 2016 sectoral agreement negotiations.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Control over Time Off In Lieu Management is reminded that although TOIL does not involve the outright disbursement of funds, in actual fact its widespread use is shifting the burden to the future. Additionally, the hourly cost of TOIL will continue to rise due to annual increases in salary, and even more so, when officers are promoted. MCH is encouraged to introduce official guidelines to regulate the use of TOIL and limit the possibility of accumulating balances to be carried over at the end of each year.	✓		The management will be drafting, implementing and enforcing a formal Time Off In Lieu policy that takes into consideration the nature of the sector.	September 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Staff Shortage increasing Abuse of Wrong Work Practices Besides disturbing shifts, employee absences when availing oneself of TOIL necessitate more overtime work, which in turn create higher TOIL or extra payment. This leads to a vicious circle where the problem emanating from the shortage of staff is exacerbated. In this regard, measures are expected to be taken to avoid the possibility of having employees habitually availing themselves of TOIL with the scope of claiming overtime.	✓		The management will be drafting, implementing and enforcing formal Time Off In Lieu and overtime policies that take into consideration the nature of the sector. Supervision from a separate unit to be established independently from nursing management.	September 2016 June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Attendance Verification Management is to overhaul the current manual procedure and resort to a system whereby all employees, including consultants, start using electronic attendance verification. This will strengthen controls over attendance and ultimately on the respective compensation. During the transitory period, manual attendance records are expected to be maintained for consultants, whilst also ensuring that attendance is recorded and monitored in each respective location.	✓		The registration of timings of doctors, nursing and administrative staff is now being carried out by means of signatures (INs and OUTs) under strict supervision. The Ministry will be discussing the NAO's recommendation further with the relevant stakeholders.	Implemented
Absence of Standard Guidelines for Overtime The introduction of Official Standard Guidelines is encouraged to ensure that the procedures for overtime work are officially regulated and harmonised across the Hospital.	✓		The management will be drafting, implementing and enforcing a formal overtime policy. Monitoring will be undertaken to ensure that policy is being adhered to. Supervision from a separate unit to be established independently from nursing management .	September 2016 June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Concerns over Overtime Records MCH is to implement an adequate internal control system to ascertain that proper records are kept, thus substantiating the performance of overtime prior to the respective payment.	✓		The management will be implementing the necessary internal controls. Supervision from a separate unit to be established independent from nursing management.	May 2016 June 2016
Prior Requests and Approvals to perform Overtime are not official The performance of overtime is expected to be officially authorised from the right level of authority prior to the commencement of the respective work. Disbursement for the payment of overtime should not be effected unless the necessary authorisation is obtained.	✓		Prior approval is being obtained except for Senior Nursing Managers. All approvals are to be officially documented.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Overtime Rate not confirmed The overtime documentation raised is to have a clear distinction from the outset to enable the Payroll Office to pay the correct rates accordingly.	✓		A working group will establish and formalise the procedure to be followed.	September 2016
Officers certifying own Overtime Management is to address this concern by segregating duties, as far as possible, in order to prohibit employees endorsing their own overtime.	✓		The Chief Nursing Manager is approving the monthly overtime report. Supervision from a separate unit to be established independently from nursing management.	Implemented June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Staff Complement Ratios not substantiated Adequate audit trail for all the significant issues surrounding MCH's operations is to be ensured. In particular, the source of the ratios in question, the related communication between the parties concerned, and a copy of the prevailing agreement, should be filed for future reference, business continuity, as well as for audit purposes.	✓		The management is committed to take action to consult with stakeholders so as to have supporting documentation in place.	December 2016
Adherence to Staff Complement Ratios not evidenced The responsibility for confirming the staff ratios is to be entrusted to responsible officers and such checking is to be endorsed accordingly. Additionally, any changes on official documentation are to be made in permanent ink to prevent unwarranted tampering.	✓		Checks are being undertaken. Anyone carrying such reviews will be evidencing all checks carried out.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Entitlement to On-Call Allowance not confirmed MCH is to ascertain that a copy of the relevant agreements is available to ensure authorisation and correct disbursement of funds.	✓		Discussions will be undertaken in order to obtain the necessary approvals and formalise entitlement to the on-call allowance.	December 2016
Inconsistent Information received from Mount Carmel Hospital Enhancing the communication between the Payroll Office and Nursing Management, to ensure that information available is consistent, will reflect better performance of the respective functions, and ultimately on the running of the Hospital's operations.	✓		Recommendation has been noted and taken up.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Segregation of Duties A robust internal control system is necessary in view of the extent of manual intervention necessary for the function of the Payroll Section. Thus, Management is encouraged to reassign responsibilities within this Section, in order to incorporate reliable and independent verification during the payroll process.	✓		The management will be implementing the necessary internal controls.	December 2016
Personal Files not updated Personal files are to be kept updated with all the necessary documents, especially those relating to emoluments. This will enable ease of reference as well as verification by third parties.	✓		Personal files kept at MCH will be amalgamated with the main personal file and retained at MCH and updated accordingly.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Backdated Roster Application Forms The forms are to be dated and submitted within a reasonable period prior to the effective date to allow the necessary time for the required administrative arrangements to be implemented. Management is to ensure that the change does not hinder the efficiency of operations. The change of roster forms are, in all instances, to be forwarded to CEO for approval.	✓		A procedure will be established to set the timeframes within which changes in the roster will be allowed to occur. The procedure will take into account the time required for the administrative arrangements to be implemented.	July 2016
COMPLIANCE ISSUES				
Unclear Source for Rates of Extra Duty Allowance The Payroll Office is to ensure that source documents are available to substantiate payments or, in this case, the rate of payment applied. It is advisable to include eligibility details of EDA allowances and the respective rates payable in an official agreement.	✓		The Ministry will be discussing the NAO's recommendation further with the relevant stakeholders.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Biannual Return of Allowances not prepared and submitted All authorised allowances are to be reviewed regularly in order to ascertain whether the conditions under which they were granted are still valid. The relevant information is to be collated for the timely submission of the biannual return to the Ministry for Finance.	✓		Returns are being submitted.	Implemented
Unauthorised Payment of Care Workers' Allowance Management is to ensure that disbursements are in accordance with established agreements, duly endorsed by the parties concerned, particularly Government and Union representatives. Copies of such agreements are to be filed for ease of reference.	✓		The management will undertake an exercise to ensure that payment of allowance to care workers is in line with the established agreement.	September 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Telework Practices not according to Standing Policies Irregularities noted are to be rectified without delay and the employees' personal files are to be updated with all relevant documentation. Moreover, telework arrangements are expected tobe revisited on an ongoing basis. Hours worked from home, as well as relative output, are to be monitored closely so as to avoid possible abuse and irregularities. It is of utmost importance that requests for changes in rosters and working conditions are immediately communicated to the Human Resources Department.	✓		New applications for telework are being adequately processed. The management will ensure adequate monitoring of hours worked from home.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Minimum Daily Rest Period not taken NAO acknowledges that due to potential staff shortages, pressures from the workload may accumulate. However, individuals benefit from taking assigned breaks since it allows a person to recover from fatigue and return to work more refreshed. Therefore, it is advisable that the regulations outlined in the specific Wage Regulation Order are adhered to.	✓		Supervision from a separate unit to be established independently from nursing management.	June 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Inadequate Controls over Payments for Catering Service In order to be effective and enhance operational efficiency, controls are to be embedded in the operations and form part of the overall culture, to ensure that the capability of responding quickly to evolving risks. They should also include procedures for reporting immediately to appropriate levels, as well as to identify weaknesses and significant control failings. Moreover, controls are to be reviewed on a regular basis so as to maintain their relevance and validity over time. However, sound internal controls cannot eliminate completely the possibility of processes being deliberately circumvented by the collusion of employees or poor judgement in decision-making. Thus, staff and operations should be supervised by competent officers who understand the processes and procedures that are in place, query such procedures and decisions, if and when necessary, and take appropriate measures to address any shortcomings in a timely manner.	✓		Checks on staff meals are being undertaken. Reasonable checks on patient and staff meals will be carried out on a weekly basis. The GGH will enforce the contract conditions.	Implemented May 2016 December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Divergences from the Catering Tender Document Conditions				
Reduced Performance Guarantee The contracting authority dealing with public funds is duty bound to ensure that the interests of taxpayers are safeguarded. Thus, any clauses included in the tender document, intended to protect the contracting authority on behalf of Government are to be fully observed. Furthermore, transparency and fair competition is to be practiced at all times by all public officials ensuring that no bidder has an unfair advantage over other interested parties.	✓		The GGH will be undertaking an exercise to ensure that the contractor is in line with the Single Performance Guarantee Policy.	December 2016
Change to the Proposed Staff Meals' Ordering System Action is to be taken by GGH to ensure that all provisions spelled out in the tender document, as well as in the bid provided by the winner, are implemented.	✓		The GGH will enforce the contract conditions.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Other Provisions not applied The provisions of the tender document are to be fully observed. Adequate internal controls should be in place to ensure an economic and efficient service.	✓		With respect to food items, the provisions of the tender document can only be fully observed once the system is automated. With respect to Water and Electricity expenses, an opinion was obtained from the MDH legal office. The opinion of the Attorney General will be sought.	March 2017 June 2016
CONTROL ISSUES				
Catering Services				
Payments for Patients' Meals not supported with the Actual Orders placed Random checks are to be performed, enabling timely action to be taken in cases of discrepancies. Management is to consider maintaining a spreadsheet reflecting daily orders which would eventually enable internal reconciliations with delivery documents and invoiced quantities as well as external verifications.	✓		A new template for checking which incorporates the financial and operational aspects was prepared. Reasonable checks on patient meals will be carried out on a weekly basis.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Control on Expenditure for Patients' Meals GGH is to establish whether overcharging is intentional and, if in the affirmative, apply the relevant conditions provided in the General Conditions for Service Contracts.	✓		Number of patients, meals ordeed, deliveries and invoices will be reconciled.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Staff Meals				
Inadequate Control over Expenditure on Staff Meals An internal control review is recommended to be carried out at the earliest to determine what controls need to be implemented. A measure that can be adopted immediately, is to instruct staff who avail of the meals to endorse the receipts. The contractor is then to be obliged to present such receipts with the invoice.			Staff is endorsing receipts.	Implemented
GGH may also consider adopting the system in place at Mater Dei Hospital whereby the contractor is provided with a roster report detailing the staff entitled to free meals on a daily basis thus ensuring that only eligible employees are provided with such benefit. Officers applying for vacation leave or change of duty are to inform GGH at least two days in advance to leave ample time for the service provider to be notified of the necessary changes. This would also give the contractor a reliable measure of meals required eventually resulting in less wastage.	✓		Use is being made of employees' ID numbers. The management will determine the appropriate methodology and human resources required.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Verification of Invoiced Amounts The whole system needs to be immediately reviewed with the aim of strengthening the internal control structures within GGH. Variances are to be brought at once to the attention of the contractor to be revised before the respective invoices are paid.	✓		The management will determine the appropriate methodology and human resources required.	May 2016
Laundry Services and Koperattiva Linen Service Ltd				
Procurement by Direct Order GGH is encouraged to abide with PPR and issue a fresh call for tenders giving the current service providers due notice that there is no intention of reviewing the agreement.	X	The GGH is abiding by the EU Directive 2014/24 Article.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Salaries' Reimbursement of Koperattiva Linen Services Ltd It is recommended that the funds paid by GGH are recouped since these were not due according to the terms of the applicable contract. Furthermore the current system is to be reviewed, to eliminate the current bureaucratic process and to ensure fair treatment for each and every entity.	✓		The GGH is no longer being invoiced by the MCH.	Implemented
Internal Checks and Controls				
Double Payment of an Invoice Adequate controls are to be implemented enabling verifications to be carried out prior to payment of invoices. Moreover every invoice is to be certified by an authorised officer confirming accuracy of details included therein.	✓		No payment voucher is being issued unless the LPO is signed. Management will be enforcing the established controls to ensure correct processing of invoices.	Implemented May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Cleaning Services Records are to be duly checked and explanations sought from the supplier where divergences in signatures are clearly evident. Moreover officers endorsing public records shall clearly indicate their name and grade and be held accountable accordingly. GGH is also encouraged to abide by PPR and issue a public call for tenders for cleaning services.	✓		Checks are being evidenced by the officers concerned. No new contracts are being made in view of the Public Private Partnership.	Implemented
COMPLIANCE ISSUES				
Non-compliance with Public Procurement Regulations The procurement process is to be duly followed in a fair and transparent way, as much as possible treating all interested operators equally. Thus while direct orders may be resorted to in exceptional cases, this is not considered as best practice.	✓		The GGH is ensuring adherence with the Public Procurement Regulations.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Deferred Payments Deferred payments are to be kept to the absolute minimum, limited to that which is unavoidable, as required by standing regulations.	✓		The GGH is monitoring deferred payments.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
KEY ISSUES				
Hybrid Set-up of the Co-operative KOLS is recommended to obtain a written ruling from the Co-operatives Board with respect to the interpretation of scheme B co-operatives as specified in OPM Circular No 12/1996. Its position could then be reviewed by the Management Committee, together with the Health Department, in line with the said ruling.	✓		Still awaiting directions from the Co-operatives Board.	December 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Governance Weaknesses In addition to helping overcome conflicts of interest inherent in the corporate form, good governance increases transparency and enhances the value of the Co-operative. It is thus suggested that recommendations provided in the Report, aimed at establishing effective control measures, are given their due consideration. Moreover, once implemented, the defined procedures should be reviewed on a regular basis to ensure they remain applicable over time.	✓		Recommendation has been noted and taken up.	

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
CONTROL ISSUES				
Conflict of Interest In order to ensure that decisions taken are without bias and made on legitimate reason to safeguard Government's interests, the Ministry is recommended to appoint an autonomous official within the Health Department as Director of KOLS, for a fixed time-period, at the elapse of which, rotation is recommended to ensure that independence is preserved. Furthermore, the bank account is expected to be administered directly by the Health Department, following the transfer of funds from KOLS in agreement to the contract, and following verification of the respective amount.	✓		The Ministry is taking action in line with the Co-Operatives Societies Act to ensure that there is no conflict of interest.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Auditor Independence Appropriate safeguards are to be adopted by members to ensure that the private auditor's opinion is free from any form of bias. Thus, Management is encouraged to rotate the auditor after a maximum period, which is to be established by the Board. Besides adopting good governance, such rotation can also bring fresh perspectives on board. Furthermore, if not performed in-house, accounting work is expected to be conducted by a separate and independent body.	✓		Action to rotate the auditor will be taken following the next AGM meeting.	May 2016

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Lack of Independent Oversight It is recommended that the Surveillance Board be composed mainly of independent individuals, who are not members of the Co-operative, and who have the right skills and knowledge to contribute to its success. The Health Department is expected to have the prerogative to appoint the Chairman of the Committee in order to safeguard its interest. Further to the above, while this Office funds no objection to the members of such Board attending the meetings of the Management Committee, it is recommended that separate meetings of the Surveillance Board are also held, enabling any operational shortcomings to be discussed by Board members prior to them being communicated to the Management Committee. All meetings held are to be duly minuted to enhance transparency, while providing corroborating evidence of decisions and actions taken.	X	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Contributions to the Central Co-operative Fund KOLS is expected to give priority to statutory dues. Only after all such amounts are settled shall the balance be distributed to member as patronage refund. Furthermore, better scrutiny is expected from the independent Auditor, highlighting such issues.	X	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		
Patronage Refund Management is encouraged to review the current strategy in order to ensure that adequate reserves are maintained. Moreover, members are to be duly informed that reserves are necessary for further investments and enhancement in operations, as well as to cover losses should the need arise.	X	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Payment of Wages and Salaries to Members Given the fact that members on scheme B remain on Government payroll, it is recommended that the current system is reviewed and brought in line with applicable provisions. Moreover, prior period reconciliations are to be carried out between salary payments effected by MCH on behalf of KOLS, and credit notes issued by the latter, and any variances recouped.	✓		Procedures have been revised as per the NAO's recommendations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Operating Expenses of the Co-Operative It is recommended that the provisions of the conditions of agreement are updated so that any costs incurred by MCH on behalf of KOLS are recouped in full. Furthermore, all agreements are to be supported by endorsed documentation, enabling verification. It is also suggested that the claims about the borehole are investigated by the Health Department, and action is to be taken to ensure that it is used in a regulated manner in line with standard legislation.	✓		Procedures have been revised as per the NAO's recommendations.	Implemented

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Equipment Reserve Fund It is highly recommended that the Co-operative maintains a separate bank account for the Equipment Reserve fund. Moreover, amounts utilised from such fund should be duly reflected in the respective Inventory List, to enable verification. Furthermore, the Health Department is encouraged to revise the provisions of the agreement, in order to increase the sum to put aside for the purchase of equipment to a more reasonable amount and necessitate the Co-operative to retain additional funds should an abnormal capital investment be required. A proviso may also be included to specify that any amount in the reserve is transferred to the Health Department on termination of contract.	x	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Skema ta' Taħriġ Current Account It is recommended that an independent senior official from the Health Department investigates the reported matters under this caption, to establish whether there has been a breach of contract. If in the affirmative, funds due by the Co-operative in line with established provisions are to be immediately recouped by the Health Department. Moreover, safeguards are to be implemented to ensure that no officer acts beyond the powers of his or her official position. Furthermore, any payments effected are to be duly corroborated by documentation to enable independent verification.	X	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		

Recommendations	Accepted or otherwise	Justification	Action	Implemented or date by when
Operations Manager's Salary and Lack of Segregation of Duties Amounts due to the Operations Manager are to be clearly stipulated in the contract, enabling verifications by third parties. Moreover, adequate succession planning is to be undertaken. A new position may be instituted within the Co-operative with the aim of reducing reliance on one individual and introducing, as far as possible, segregation of duties, which should at least include independent checking of records.	X	Action to be taken by KOLS since this issue does not fall under the authority of the Permanent Secretary.		