National Audit Office
MALTA

# Follow-up Audit Reports by the National Audit Office

## 2025

## Volume II

National Audit Office
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# 2025

# Volume II

FOLLOW-UPS

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

## REPORT BY THE AUDITOR GENERAL

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

Charles Deguara
Auditor General

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

National Audit Office
February 2026

### OUR VISION

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

### OUR MISSION

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

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# Foreword

Most national audit institutions across Europe are committed to carry out annual follow-up audit assignments to assess and report on the progress made by respective auditees in implementing audit recommendations. Our National Audit Office is no exception; indeed, such follow-up audit reports have become an essential feature of our annual audit work plan. These follow-up audits ultimately lead to an enhanced level of good governance across the public sector.

This Report provides an extensive review of the efforts undertaken by respective auditees in addressing our Office's recommendations included in three performance audits and one information technology audit, originally conducted between 2020 and 2023. These recommendations have been made by our teams to assist respective auditees in addressing issues or shortcomings identified during our audit work.

Once again, our work in this regard highlights our determined efforts to enhance accountability and transparency, the two principal columns of good governance.

Charles Deguara
Auditor General

February 2026

# Guidelines for the Classification of the Implementation of Recommendations followed up by the National Audit Office

| RATING | EXPLANATION |
|---|---|
| Fully Implemented | The action taken met the intent of the recommendation and issues were rectified. Structures and processes were in place to prevent a repetition of shortcomings. Sufficient evidence was provided to demonstrate action taken. |
| Partly Implemented | This category encompasses one or more of the following considerations:<br>• Action taken was less extensive than recommended by the National Audit Office. Action either fell short of the intent of the recommendation, or only addressed some of the identified risks and/or issues.<br>• The auditee may have established structures and processes but only within some parts of the organisation, although some achieved results were identified; however, plans exist for the full implementation of the recommendation.<br>• The specific action noted in the recommendation was not complete at the time of the assessment.<br>• The auditee may have commenced action to address a recommendation, but subsequent policy changes may have influenced how it might be implemented. |
| Significant Progress | The auditee demonstrated that it made all preparations for implementing a recommendation, including a clear path (plan) duly approved at the proper executive level. It also showed that it had a clear timeline for completion and closure of the issue. |
| Insignificant Progress | This category may include one or more of the following:<br>• Action to address recommendation was very limited.<br>• No supporting evidence that action has been undertaken.<br>• Albeit unintentional, action taken does not address the recommendation.<br>• Actions such as having meetings, discussions and generating informal plans, should be regarded as insignificant progress. |
| Not Implemented | No effort was made by the auditee to address the recommendation.<br>(*This may also include those instances where the auditee did not provide any evidence suggesting efforts to implement the recommendation.*) |
| No Longer Applicable | In instances when the recommendation ceased to apply. |
| Not Accepted | The auditee did not accept the recommendation in the first instance. |

# Table of Implementation for each Individual Audit

| Title | Developments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fully Implemented | Partly Implemented | Significant Progress | Insignificant Progress | Not Implemented | No Longer Applicable | Not Accepted | Totals | Implemented in Full or in Part or Significant Progress |
| Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud | - | - | - | 8 | 5 | - | - | **13*** | **0%** |
| An assessment of capital projects at the University of Malta | - | 2 | - | 4 | 2 | - | - | **8**** | **25%** |
| Assessing the public transport contract and Transport Malta's visibility on the service | 2 | 4 | 1 | 2 | 4 | - | - | **13** | **54%** |
| Planning Authority | 9 | 1 | - | - | - | 1 | - | **11** | **91%** |
| **Totals** | **11** | **7** | **1** | **14** | **11** | **1** | **-** | **45** | **42%** |

* Given the specific circumstances of this BCU follow-up assignment, the statistics reflected in the table above should be viewed in light of the fact that the follow-up audit was carried out at an early stage of implementation of the proposed recommendations. A subsequent follow-up assignment will therefore be undertaken in due course.

** This total reflects the number of recommendations analysed for the purpose of this follow-up audit.

# List of Abbreviations

| | |
|---|---|
| AI | Artificial Intelligence |
| ARMS | Automated Revenue Management Services |
| BCD | Benefits Compliance Directorate |
| BCP | Business Continuity Plan |
| BCU | Benefits Compliance Unit |
| CBA | Cost Benefit Analysis |
| CM | Caritas Malta |
| CRML | Campus Residence Malta Limited |
| DoC | Department of Contracts |
| DRP | Disaster Recovery Plan |
| DSS | Department for Social Security |
| EU | European Union |
| FTE | Full-Time Equivalent |
| ICT | Information and Communications Technology |
| IT | Information Technology |
| MDH | Mater Dei Hospital |
| MHA | Ministry for Health and Active Ageing |
| ML | Machine Learning |
| MOU | Memorandum of Understanding |
| MSPCR | Ministry for Social Policy and Children's Rights |
| MTCA | Malta Tax and Customs Administration |
| NAO | National Audit Office |
| NCSB | Non-Contributory Social Benefits |
| PA | Planning Authority |
| PTU | Public Transport Unit |
| RfP | Request for Proposals |
| SLC | Sustainable Living Complex |
| SOP | Standard Operating Procedure |
| SUP | Single Unmarried Parent |
| TM | Transport Malta |
| UM | University of Malta |
| VAT | Value Added Tax |

# Ministry for Social Policy and Children's Rights

Performance Audit – Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud

# Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud

## Background

This follow-up audit reports on the progress registered by the Department for Social Security (DSS) in implementing the recommendations made by the National Audit Office (NAO) in its April 2023 Performance Audit report titled "***Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud***".

The DSS within the Ministry for Social Policy and Children's Rights (MSPCR) is responsible for implementing the Social Security Act (Chapter 318 of the Laws of Malta). This Act covers two broad schemes: a contributory scheme, where eligibility for benefits is based on the fulfilment of specific conditions related to National Insurance contributions, and a non-contributory scheme, where assistance is given based on financial need, assessed via means-testing. The original report, and thus this follow-up, focused on the non-contributory scheme, which is intended to assist persons who, for whatever reason, do not work and do not meet the requirements for the contributory scheme, necessitating non-contributory social benefits (NCSB) to provide them with income. For context, spending on non-contributory benefits in 2024 amounted to €326.2 million, increasing by 21.1% when compared to 2023.

Once NCSBs have been awarded following an application by the individual, the Benefits Compliance Directorate (BCD) within the DSS' Income Support and Compliance Division is responsible for ensuring that the beneficiaries remain in line with eligibility criteria for their awarded benefits. This Directorate is entrusted with identifying and acting on potential cases of non-compliance with applicable legislation. As part of this monitoring function, the BCD receives, and investigates, allegations from members of the public regarding fraudulent claims for non-contributory social benefits by specific beneficiaries.

The original audit report had referred to the Benefits Compliance Unit (BCU), falling under the Income Support and Compliance Division. This Unit has since been renamed the Benefits Compliance Directorate (BCD). Accordingly, all feedback within this report is referenced under the updated designation, BCD. The acronym has also been updated within the original recommendations for ease of reference.

## Audit Scope, Objectives and Methodology

The objective of this follow-up review is to determine whether the recommendations set out in the original 2023 report were implemented or otherwise by the audited entity, and if in the affirmative, the extent of implementation. The issues and conclusions presented in this report are based on information received by this Office until the end of December 2025. No other issues apart from those raised in the 2023 report were considered in this publication.

To carry out this follow-up review, the recommendations made in 2023 were sent to the BCD, with the NAO requesting feedback regarding the progress made towards implementing each one. Following receipt of the auditee's feedback, and analysis by the audit team, a meeting was held with top management within the BCD, intended to provide the audit team with a better understanding of the current situation, and to clarify queries regarding the documentation provided. Additional supporting documentation was also requested by this Office to substantiate verbal assertions made during the meeting. Since the original audit did not include any recommendations relating to the way in which inspections were carried out in beneficiaries' households, re-accompanying the inspectors for further assessment was not considered necessary in this follow-up review. The recommendations as featured in the 2023 report are reproduced in this publication, accompanied by the progress registered by the BCD relating to each one.

## An Examination on the Non-Contributory Benefit System

***Note: The main thrust of recommendations 2.3.1 to 2.3.4 is two-pronged. On the one side, the audit concluded that families who depend solely on NCSBs to sustain themselves, experience a net yearly shortfall between their household income and what Caritas Malta estimates they need to reach a minimum budget for dignified living. On the other hand, the audit highlights that the eligibility criteria for NCSBs could be tighter, as they currently allow for individuals who cannot be considered to be in genuine financial need to access them. The audit report goes through issues one at a time which, individually, may not always feature both sides of this balance. While this is done for readability purposes, it is important for the reader to keep these two sides of argumentation in mind when considering any specific issue, as the objectivity of one side of the argument is wholly dependent on keeping the other side in view.***

### Government should commission, and duly act upon, a study to ascertain that NCSB levels are sufficient to ensure a dignified minimum standard of living to beneficiaries.

*Recommendation 2.3.1 NAO is of the opinion that a review of the NCSB system is warranted as individuals who are in real need of them are currently not able to cover a minimum budget to secure a minimum decent standard of living. In this Office's view, an updated exercise similar to the Caritas Malta (CM)[1] publication needs to be compiled and a national minimum budget should be set, based on realistic and current prices and subjected to periodic reviews according to annual cost of living adjustments. The NCSB system should then be adjusted to ascertain that beneficiaries relying solely on these benefits secure sufficient income to meet this minimum budget.*

**Development: *Insignificant Progress***

To assess progress on this recommendation, the audit team once again benchmarked the levels of NCSBs given to a family of two adults and two school-aged children receiving social assistance against a minimum budget to live a decent life. As in the case of the original NAO audit in 2023, this office referred to the Caritas Malta latest issued report published in 2024 "*A minimum essential budget for a decent living*" to determine the minimum

[1] Caritas Malta (CM) publishes a research study intended to identify the minimum budget that three types of low-income households (two adults with two dependent children, a single parent with two dependent children, and an older couple) require in order to have a decent standard of living. This study is carried out at four-yearly intervals, with each study updating the minimum essential elements needed for a family in Malta to live with dignity.

essential income for a family of four to live a decent life. An inflation rate of 2.2% was applied to adjust 2024 cost for 2025. As depicted in Table 1, a family of four requires a minimum budget of €19,355 per annum.

Table 1: Annual Minimum cost budget for a family of 2 adults and 2 children

| | **Minimum cost budget 2 Adults and 2 Children** |
|---|---|
| | **€** |
| Food | 10,910 |
| Clothing | 2,196 |
| Personal Care | 1,132 |
| Health | 473 |
| Goods and maintenance | 520 |
| Laundry and care | 157 |
| Services | 1,143 |
| Housing | 1,424 |
| Education, Culture and Gifts | 1,400 |
| Transport | - |
| **Total** | **19,355** |

The above figures and associated workings were sent to BCD for consideration. In reply, MSPCR acknowledged CM's report and agreed with NAO's calculation in arriving at the total presented in Table 1 when using the latest (2024) version. In response to the recommendation that BCD itself should conduct its own study, feedback from the Ministry indicated that, since CM had published an independent and updated study in 2024, a further study by MSPCR was not deemed required at this stage.

As was done in the original audit, the total disposable income available to a family of four living on NCSBs was calculated and also submitted to BCD for its consideration (to which it agreed). These NCSBs and their subsequent total are presented in Table 2.

Table 2: Total annual disposable income of a family of 2 adults and 2 children living off non-contributory social benefits in 2025

| | **Family receiving Social/Unemployment Assistance and other Allowances/ Benefits 2 Adults and 2 Children** |
|---|---|
| | **€** |
| Social/Unemployment Assistance | 7,235 |
| Social Assistance for each member of the household | 1,271 |
| Special Bonus | 162 |
| Six Monthly Bonus | 270 |
| Children's Allowance | 2,504 |
| Supplementary Children's Allowance | 1,320 |
| Energy Benefit | 454 |
| Additional Cost of Living Allowance | 1,500 |
| **Total Disposable Income** | **14,717** |

As can be seen in the above two Tables, a household relying exclusively on NCSBs lacks sufficient income to meet even the minimum budget required to maintain a dignified standard of living. Although NCSBs increased by 18% since 2023, this has been outpaced by a 27% rise in living costs, with the shortfall between NCSB income and the minimum budget increasing from €2,707 in 2020 to €4,638 in 2025. Even when factoring in an additional (although not guaranteed for all such families) sickness assistance of €1,739, the household would still face an annual shortfall of €2,899. It must also be noted that this deficit excludes further potential expenses which may be incurred by families having to avail of this latter allowance.

This Office also emphasizes that this shortfall was observed by comparing income to the expenses estimated in CM's minimum basic budget for goods and services. It is however relevant to note that the CM publication also provides a budget for an augmented basket of goods, including items which may facilitate individuals' lives or enhance the quality thereof. This budget includes costs such as running a private car, caring for a pet, and occasionally eating in a café or restaurant. The cost of renting one's home at non-subsidised rates was also included within this budget. Consequently, this Office observes that any such expenses for recipients of NCSBs would further exacerbate the shortfall to a significant extent.

In reaction to NAO's observation that the above situation remains largely unchanged from that registered in the original report, MSPCR emphasised that NCSBs are primarily designed to provide a 'minimum income' so that the risk of beneficiaries becoming trapped in a benefit or poverty cycle is avoided. While it is acknowledged that the balance between 'minimum income' and 'sufficient income' to meet the minimum budget for persons accessing NCSBs borders on the realms of government policy, this Office notes that the opportunity exists for BCD to study further the extent to which these two variables motivate individuals on NCSBs to seek employment while simultaneously ensuring a dignified standard of living for those who for valid reasons are not able to work. Within this context, this Office is of the opinion that this risk would be managed more judiciously through appropriately set NCSBs eligibility criteria, as will be discussed in subsequent parts of this report.

## Revisiting eligibility criteria for social benefits

*Recommendation 2.3.2 On the other hand, this Office strongly suggests that the eligibility thresholds that need to be satisfied for an individual to avail of NCSBs are revised and duly tightened so that they better reflect the presumed situation in which financially vulnerable individuals would find themselves in, rather than potentially allowing parties with significant wealth to tap into them. NAO suggests that capping on essential assets should be introduced and set in a manner by which prospective or existing beneficiaries can secure a minimum decent standard of living (particularly in terms of a place of residence), but does not allow eligibility to individuals who, due to the high value of their assets, cannot be realistically considered as financially vulnerable. Furthermore, this Office feels that Government should reconsider whether ownership of non-essential assets of a significantly high value (with particular reference being made to summer residences and high-end vehicles) should be eligible for individuals availing themselves of NCSBs. This is being suggested so that, not only is perceived unfairness avoided, but also to safeguard against potential abuse, particularly in cases in which beneficiaries would be working irregularly (and therefore potentially securing sufficient income to acquire high-end assets) while fraudulently availing of social benefits.*

**Development: *Insignificant Progress***

Notwithstanding that the NAO recommended that eligibility thresholds in terms of financial savings for NCSBs be revised and tightened, these were further expanded by the 2025 National Budget, which came into effect through Act IX of 2025. Specifically, under Article 30 of this Act the NCSB eligibility threshold for single individuals was increased from €14,000 to €16,000, while that for couples increased from €23,300 to €26,000[2].

In addition, no action has yet been taken to revisit thresholds which BCD itself introduced over and above those cited by law, particularly the introduction of capping on the value of essential and non-essential assets when determining whether an applicant is eligible for NCSB. The NAO was however informed that BCD management has engaged an external consultant and commissioned the latter to carry out a study titled "*A Comprehensive Evaluation of Compliance, Methodology, and Benchmarks for Means-Tested Benefits*". While the precise terms of reference and formal timelines for this engagement were not provided to the audit team for verification, BCD indicated that it aims to revise its current policies regarding considerations of assets, as deemed required.

*Recommendation 2.3.3 NAO further suggests that the BCD does not apply further exclusions from eligibility thresholds beyond those which are specifically cited in local legislation. Should the Department feel that related terms in local law need revisiting, this Office recommends that it exerts the necessary pressure accordingly, through appropriate channels, so that any applicable exclusions (designed in a manner that take the immediately preceding recommendation into account) are given appropriate legal backing.*

**Development: *Not Implemented***

No steps have yet been taken to consider introducing amendments to the legislation to incorporate additional exclusions in line with BCD's internal policies. To this end, exclusions set by BCD itself, including the ownership of a primary residence (irrespective of value), a summer residence, and one vehicle per license holder (also irrespective of value) are not covered by law, as are personal items such as jewellery and other effects which may be of substantial value.

## The Single Unmarried Parent (SUP) NCSB needs to be evaluated within the context of the free childcare scheme

Recommendation 2.3.4 SUP NCSB should be reconsidered in view of the introduction of the free childcare scheme, given that this scheme offers the possibility to all able-bodied individuals to work with the peace of mind that their children are in a safe place for the duration of their working hours.

**Development: *Insignificant Progress***

The audit team observed that no substantive changes have been implemented in relation to SUP NCSB.

The BCD maintains that the SUP benefit forms part of the broader social assistance framework and therefore considers it inappropriate to mandate beneficiaries to register for employment. Nonetheless, the BCD

[2] It is important to note that Social Security Act sets these thresholds only for Sickness Assistance, Free Medical Aid and Age Pension. BCD has adopted these thresholds (at departmental rather than legislative level) for all NCSBs.

acknowledges that alternative measures could be adopted to support beneficiaries in entering the workforce. In this regard, the Unit has initiated discussions with JobsPlus aimed at raising awareness on employment-related schemes among SUP beneficiaries. While the BCD has provided email correspondence indicating that initial communication with JobsPlus has taken place, no formal documentation outlining the operational framework, such as conditionality or potential sanctions, has been made available to the audit team.

## An Assessment on the Award, Monitoring and Enforcement of Non-Contributory Social Benefits

### Revision of Standard Operating Procedures

*Recommendation 3.6.1 This Office urges DSS and BCD to ascertain that SOPs relating to their operations are revisited to include all relevant detail, particularly with respect to exceptions, social benefits eligibility and procedures on how to conduct inspections. In addition, NAO suggests that, during this revision, SOPs (particularly those relating to BCD) are re-written in a manner that is more instructive rather than descriptive, thereby ensuring clarity and these documents' intended purpose. In so doing, DSS and BCD would be affording their officers a stronger basis with which to defend the decisions taken during the execution of their work, particularly in the event of contestations by potential beneficiaries or investigated parties.*

**Development: *Not Implemented***

As feedback on the implementation of this recommendation, BCD forwarded copies of the same SOPs that were received by the audit team during the original audit. This indicates that no updates have since been made. Asked whether any steps were being taken to revise the SOPs to enhance their clarity and instructional value, BCD acknowledged the need for improvement in the drafting of these documents but indicated that support in this regard is required.

### Introduction of inspections of new applicants and those whose benefits had previously been suspended due to benefit fraud

*Recommendation 3.6.2 NAO urges the Department to consider introducing a system in which "on the ground" physical inspection would be a formal part of the initial checks carried out when approving new beneficiaries, particularly those who would have been previously receiving such benefits but would have been identified as engaging in benefit fraud. This Office firmly considers such inspections to be the most effective tool at the Department's disposal by which it could identify whether an applicant is truly eligible for social benefits or otherwise. This is because these inspections could provide direct observations of defaulting circumstances, while they also could provide strong indication of whether the applicant would be living beyond one's declared means, thereby implying that the respective individual would be securing income that is not formally recorded.*

**Development: *Not Implemented***

Following discussions between the NAO and BCD management, it was agreed in principle that conducting inspections prior to the accepting of a new application or reinstatement of benefits to previously defaulting individuals would be ideal.

The audit team however observed that the process for approval of new applications for NCSBs remains unchanged. This means that physical inspections are still not being carried out prior to approving first-time applicants. BCU management noted that current staffing constraints render such a practice unfeasible at present.

Insofar as inspections prior to approving previously defaulting applicants are concerned, BCD submitted a list to NAO showing 11 such occurring instances between November 2023 and October 2024.

Further analysis of these 11 case files showed that suspended applicants had a note in their files indicating that, should the individual re-apply, their application was to be brought to the attention of the Investigations Committee. However, there was no evidence of a physical inspection being carried out prior to re-instatement of NCSBs. The Investigations Committee's check prior to re-instatement of benefits is a desk-based one, rather than a physical visit by inspectors to the applicant's residence, and in NAO's view, cannot be considered as a comparable substitute to the latter.

## Information sharing with local financial institutions

*Recommendation 3.6.3 While this Office commends the BCD on the arrangements secured with local banks for the receipt of information on a monthly basis, it still suggests that the Department considers strengthening these arrangements through formalised documentation. In NAO's opinion, this formalisation could include considerations on the timeliness and format by which information from local banks is received by the BCD to ascertain the continued smooth running of the respective monthly monitoring of savings and interest thresholds by the Department.*

**Development: *Not Implemented***

As feedback regarding progress on this recommendation, BCD management re-confirmed that no relevant formal agreements have as yet been documented. The Directorate has however indicated that, notwithstanding this situation, the required information about NCSB beneficiaries continues to be received by the involved stakeholders.

During a meeting with BCD management, the audit team emphasised the importance of establishing formal agreements to govern this reporting process. In response, management acknowledged this Office's concern and committed verbally to give attention to the matter in due course.

This Office reiterates its recommendation that formal documentation be established between the BCD and these financial institutions. Such agreements would serve to provide assurance that the necessary information will continue to be received consistently and would safeguard the interests of the BCD in the event of any future non-compliance or disruption in reporting.

*Recommendation 3.6.4 In view of the fact that fraudulent beneficiaries could entrust savings with financial institutions which are not within BCD's current visibility, NAO strongly urges the latter to invest the necessary efforts to mitigate the risks which emanate from this situation. Should direct contact and agreements with these entities prove impractical or severely challenging, this Office recommends that BCD explores workaround*

*solutions. Such solutions could include tracing transactions to and from these institutions from or to others with which the Department already has an established working relationship.*

**Development: *Insignificant Progress***

No new information or documentation was provided by BCD to the audit team which showed efforts by the former to address this recommendation on a systematic level. Notwithstanding, BCD did inform this Office that, in relation to a single non-local financial institution operating exclusively through digital channels and nonetheless widely used locally, statements are being requested from the beneficiaries if the latter indicate that NCSBs are to be deposited in an account within this institution. The same is done if, during an investigation BCD determines that the individual in question has an account with this same institution. NAO is however not in receipt of any documented evidence of these practices.

*Recommendation 3.6.5 In addition, wherever possible and if the practice's legality is confirmed, NAO encourages BCD to introduce associated (to the previous recommendation) practical checks during physical inspections of an investigated party, after due consultation on such practices with the Attorney General.*

**Development: *Not Implemented***

To date, no measures have been adopted to introduce supplementary verification procedures during on-site inspections in this regard. BCD management indicated that they do not, in principle, object to the introduction of further checks intended to identify undeclared savings held by beneficiaries in financial institutions which are not within BCD's current visibility. However, they noted that such measures may warrant consultation with the State Advocate prior to implementation. To date, no such discussions have yet been held.

## Information sharing with government entities

*Recommendation 3.6.6 This Office encourages BCD to enter into arrangements with TM and TCU for periodic reporting of relevant information on its beneficiaries, as is the current practice in case of identified local banks. This monthly reporting will bring to BCD's attention any beneficiaries who would have purchased or sold vehicles or properties, with this information being then proactively duly considered against the set eligibility thresholds. NAO further suggests that the Department and relevant stakeholders consider options by which such transfer of information can be carried out automatically at set frequency intervals, so that minimal load on every entity's human resources is registered in fulfilling this task.*

**Development: *Insignificant Progress***

This Office notes that limited progress has been made in implementing this recommendation, despite efforts by the BCD to expand data-sharing agreements with relevant stakeholders. The NAO was informed that the Directorate has initiated meetings with several entities, including Transport Malta, the Malta Tax and Customs Administration (MTCA), JobsPlus, and Automated Revenue Management Services Ltd (ARMS). These meetings aimed to establish or update existing agreements concerning the exchange of information with the BCD. Notwithstanding, no signed agreements were forwarded to the audit team.

## Proactive inspections

Recommendation 3.6.7 This Office strongly believes that proactive inspections need to be introduced in BCD's operations as this is the only tool by which benefit fraud which is left unreported or which can never be detected through desk-based research can be detected. In addition, NAO feels that regular, proactive inspections based on risk and/or a sound sampling methodology, would significantly elevate the Department's image as an effective enforcer. This in turn would surely contribute to decreased attempts at benefit fraud due to an increased presence.

**Development: *Insignificant Progress***

The audit team was initially informed that the Directorate conducted 45 proactive inspections during 2024, with these inspections being carried out independently of any alleged breach of conditions governing the receipt of NCSB. Upon review of these files it was observed that 84% of these inspections had been carried out on beneficiaries against whom allegations had been filed during the COVID-19 restrictions period and, consequently, no inspections were carried out. This Office does not consider these to be genuinely proactive inspections of a random sample of beneficiaries, but rather delayed investigation into specific allegations of a fraudulent claim for NCSBs.

With regard to the other 16% of case files (seven individuals) included in the Directorate's list of proactive inspections, the audit team considered these to be genuinely proactive investigations as recommended by the NAO. It was noted that three out of these seven were found to be in breach of their benefit conditions and were referred for further action. This Office however notes that, though commendable, these seven inspections constituted a negligible fraction (1.22%) of the 573 inspections carried out by the BCD's inspectorate during 2024.

The Directorate has initiated exploratory efforts into the potential utilisation of artificial intelligence (AI) and machine learning (ML) technologies to identify instances of social benefit fraud. As evidence of this initiative, this Office was forwarded with an independent report prepared by a leading consultancy firm, commissioned by MSPCR.

The report presents a proof-of-concept for AI-driven fraud detection, with a particular focus on NCSBs. It concludes with a structured one-year action plan, segmented into distinct phases, aimed at transitioning into a fully operational production solution. During a meeting held with Directorate's management, it was indicated that ongoing discussions are being held with the Ministry's Chief Information Officer to determine the appropriate course of action and to formulate an implementation strategy.

## Recruitment of additional inspectors

*Recommendation 3.6.8 The need for additional inspectors "on the ground" is evident in NAO's view. Firstly, in view of the fact that inspections are carried out in pairs, this Office suggests that the Department ensures that the inspectorate complement is sufficient so that all deployed inspectors are efficiently utilised at all times while "on the ground". Secondly, as it is NAO's view that BCD's inspectorate function should be broadened to include a proactive element (immediately subsequent recommendation refers), an increase in their complement would surely be required so that this broadened function could be better executed.*

**Development:** ***Insignificant Progress***

The current complement of the BCD's inspectorate remained unchanged, consisting of three inspectors. BCD acknowledged that recruiting additional staff has been a challenge, indicating that although efforts were undertaken to strengthen the inspectorate function through the issuance of an Expression of Interest for one Benefit Fraud Lead Inspector and four Benefit Fraud Inspectors, only one applicant was selected and offered the post, but who subsequently declined the offer.

The Directorate acknowledges the need for additional inspectors and has indicated that a minimum of six inspectors are required to establish three operational teams. BCD further indicated that it would find no objection to increasing their complement of inspectors beyond this level if sufficient suitable candidates were to apply. In view of this, the BCD is exploring ways to make the role of inspector more appealing to candidates, so that a greater number of suitable candidates are duly attracted.

## Methodological rigor in investigations of alleged employment

*Recommendation 3.6.9 Rigour in the manner by which inspections on alleged work are carried out needs to be enhanced in NAO's view. Different methodologies could be explored, so that allegations, particularly of self-employment, are better investigated. In addition, the Department needs to better consider its approach when it comes to investigating alleged work beyond office hours, possibly by introducing a system in which, on some occasions, its inspectors would call in for work in the afternoon to address such cases.*

**Development:** ***Insignificant Progress***

Management within BCD has indicated that discussions about information sharing with the Value Added Tax (VAT) Department are being held and will form the basis of a Memorandum of Understanding (MOU) to this effect with the Malta Tax and Customs Authority (MTCA). DSS management has also indicated that, if necessary, they will consider carrying out joint investigations with MTCA's VAT inspectors. Such collaboration is intended to assist the BCD in detecting and investigating undeclared self-employment of persons claiming NCSBs.

In this respect, BCD also reported that preliminary discussions have commenced with JobsPlus, with the objective of seeking the latter's assistance, specifically in the form of joint inspections targeting alleged employment outside standard working hours. NAO however is not in receipt of any documentary evidence which confirms such discussions or shows progress thereof.

While BCD acknowledged the necessity for reform in this area, it was observed that current inspection practices remain unchanged from those observed during the original audit. Specifically, inspections continue to be confined to standard working hours, with no action undertaken by BCD during evenings or weekends to investigate alleged irregular employment taking place outside standard office hours.

## Conclusion

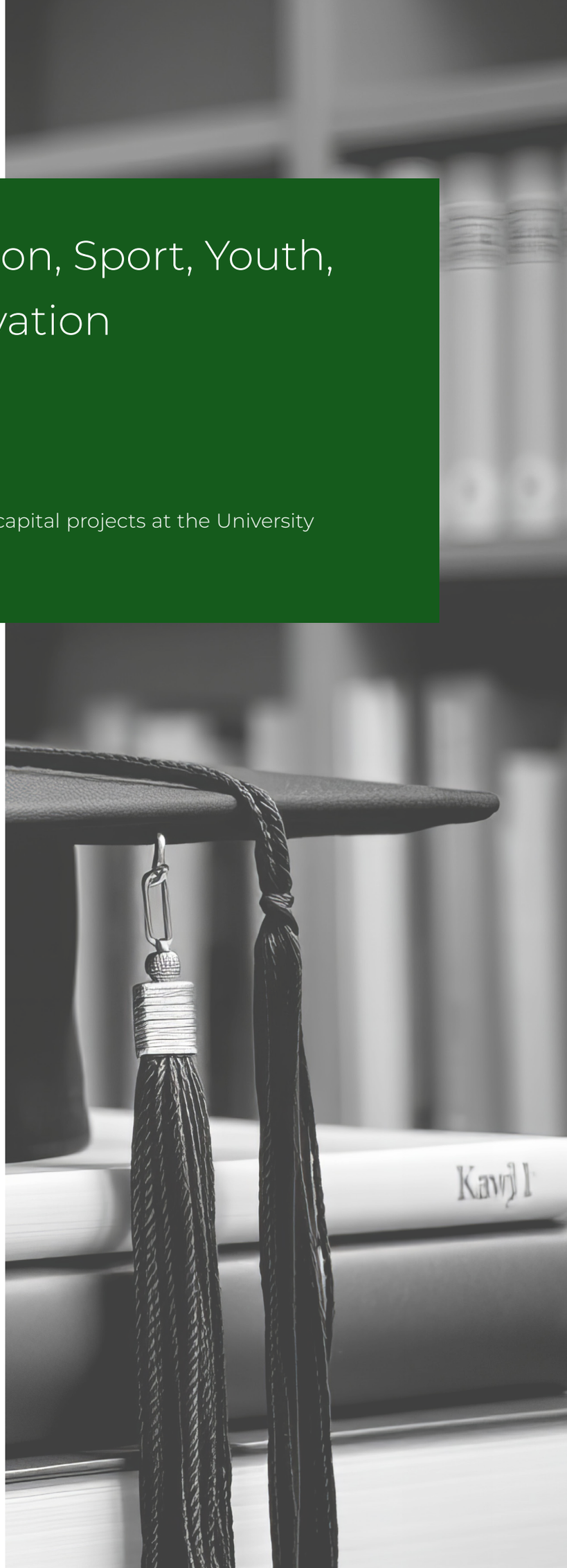
While acknowledging the legal, operational resources and policy implications related to this area, this Office observes that at the time of this follow up audit, minimal progress had been registered in the implementation of the recommendations made in the original audit, with insignificant progress registered on eight recommendations, and no progress made on the other five.

The NAO nevertheless reiterates the recommendations published in the 2023 report, deeming them essential to strengthen the NCSBs system, and to ensure that support is afforded exclusively to individuals who have no means of supporting themselves beyond NCSBs while not tilting the balance towards encouraging recipients of benefits to fall victim of the benefits trap.

Finally, the NAO acknowledges that some of the recommendations may have required more time to implement. It further acknowledges that there is ongoing work-in-progress within the BCD in connection with others. Thus, we consider it fair and reasonable to carry out another follow-up audit assignment within say two years since this would provide a much clearer picture of these recommendations' implementation.

# Ministry for Education, Sport, Youth, Research and Innovation

Performance Audit – An assessment of capital projects at the University of Malta



# An assessment of capital projects at the University of Malta

## Background

This follow-up audit aims to report on the progress registered since the publication of the performance audit report: ''*An assessment of capital projects at the University of Malta*" which was published in April 2023. The latter Report focused on the Sustainable Living Complex (SLC) and the Campus Hub to enable the National Audit Office (NAO) to determine the extent to which capital projects are fulfilling the University of Malta's (UM) needs in a cost-effective manner. The NAO targeted these projects in view of their substantial financial materiality (€48 million and €46.7 million respectively), their specific objectives within the UM's strategic development, as well as to enable comparative analysis between projects financed by the UM and those that were subject to co-financing arrangements with the European Union (EU). Unless otherwise indicated, issues and conclusions presented in this follow-up audit reflect the information made available to the NAO as of October 2025.

The NAO's 2023 Report raised the following main shortcomings:

1. Alignment of the capital projects to UM's Strategic Framework: The UM's Strategic Plan 2020–2025 proposes guiding themes, commitments, and action points. However, this Strategic Plan does not cross-reference specific capital projects. Such a situation impinges on the extent to which UM can monitor these projects' contribution towards the strategic priorities.

2. Delays in finalising the SLC: The project was originally set for completion by end-2018. The target completion date as set by the UM in the European Regional Development Fund (ERDF) Grant Agreement was then postponed to September 2022. By the time the performance audit was finalised, a new project completion date was being negotiated with the EU Commission, targeting December 2023. Although the SLC had largely managed to retain its costs within budget, the audit had concluded that this capital project could be impacted negatively in case of severe delays in its delivery in view of the likely increasing costs of materials and works in line with recent trends.

3. Limited incorporation of lifecycle sustainability practices: While the SLC integrated sustainability in its design, the audit found that important aspects of the project's lifecycle were not fully implemented. These included the originally planned *in-situ* stone extraction to be utilised for the substructure as well as for cladding purposes, that did not materialise for financial, technical and time constraints.

4. The utilisation of a Request for Proposals (RfP) to develop the Campus Hub project: The Campus Hub project was structured as a concession to a private contractor, transferring most risk — and potential profit — to the Contractor. The UM issued the RfP directly, rather than proceeding through the Department of Contracts (DoC). Whilst this approach was allowed at the time of the audit, best practices dictated that

the UM would have exploited competitive advantages and safeguarded its interests further had it opted to utilise the tendering expertise available at the DoC. Moreover, the RfP's planning and consequently its evaluation did not adequately account for UM's long-term needs.

5. Weak stakeholder consultation and project planning in the Campus Hub project: At the early stages of the Campus Hub, UM did not carry out widespread consultation with key stakeholders. This state of affairs led to design changes, additional costs, project delays, and even student protests over car park fees. Moreover, at the time of the audit, discussions regarding the potential relocation of the Medical School were still outstanding.

## Audit Scope and Methodology

In view of the findings and conclusions emanating from the 2023 performance audit report, the NAO had proposed ten recommendations, the implementation of which is the primary focus of this follow-up audit. For this follow-up study, the NAO retained the same objectives of the 2023 Report, that is, to verify that:

i. the appropriate mechanisms are in place to ensure that capital projects contribute towards the effective implementation of the UM Strategic Plan;
ii. an effective capital projects procedural framework is in place; and
iii. the capital projects resulted in the desired outcomes and in good value for money.

The two capital projects under review were not fully operational at the time of this follow-up audit and thus constituted a main limitation, particularly in the case of the SLC. Latest information acquired by this Office indicates that the SLC shall be fully operational by June 2026. Consequently, operations as well as the expected outcomes and impacts could not be assessed. Moreover, given the magnitude of the recommendations proposed, this follow-up audit serves only as a fair indication of the current implementation.

The ensuing text classifies the implementation progress of the NAO's recommendations in one of the following self-explanatory categories, namely: fully implemented, partly implemented, significant progress, insignificant progress, not implemented, not accepted and no longer applicable. It is to be noted that two of the ten proposed recommendations, while remaining valid, could not be analysed as these were not applicable during the follow-up audit period.

## Strategic Framework

### UM is to link specific capital projects to the measures listed in the Strategic Plan to strengthen its monitoring function

*The UM is to link specific capital projects to the measures listed in the Strategic Plan. This would facilitate the monitoring of the implementation of UM strategies by its stakeholders.*

**Developments:** ***Insignificant Progress***

Whilst acknowledging that UM's capital projects intrinsically meet the University's needs, evidence to portray specific links between capital projects and UM's 2020 - 2025 Strategic Plan was limited. UM is encouraged to sustain this effort vis-à-vis future capital projects.[1] Moreover, UM contended that its intention is to implement this recommendation as part of the upcoming Strategic Plan 2026 - 2030, whereby specific projects will be linked to strategic objectives.

### The University is to develop targets relating to the measures listed in the Strategic Plan

*Additionally, the University is to develop targets relating to the measures listed in the Strategic Plan. This would enable the different departments within UM to measure progress in a quantitative manner.*

**Developments:** ***Not Implemented***

During this Review, UM contended that it had planned to adopt specific targets for most of the measures in the Strategic Plan. Nevertheless, UM indicated that there was a change in the approach adopted with respect to measuring progress. However, supporting evidence was not made available to this Office. Such a situation was compounded by other factors including the change in the management responsible for the strategic framework.[2] UM is encouraged to develop such targets, particularly in view of the upcoming Strategic Plan 2026 - 2030.

## General

### Prior to embarking on a capital project, the UM is to carry out a detailed risk assessment, conduct widespread consultation with the major stakeholders and formally seek the guidance as well as the assistance of the Department of Contracts

*Prior to embarking on a capital project, the UM is to:*

- *carry out a detailed assessment of the risks related to each capital project as well as the potential impact on UM's operations of alternative options. Ideally, a detailed business case and risk analysis should be undertaken at the conception stage of each capital project and is continuously updated to reflect new developments. This assessment should facilitate negotiations between the UM and third parties to ensure an all-round fair deal.*

- *conduct out widespread consultation between the major stakeholders. This level of consultation is considered an opportunity for major stakeholders to contribute to the development of the project by presenting their needs and their feedback at a very early stage. This process should enhance the sustainability, profitability, as well as the eventual outputs and impacts of the capital project.*

[1] This Office acknowledges that UM undertook a number of initiatives such as an extensive consultation with academics, staff and students to promote the implementation of the current strategy. Nevertheless, the link with capital projects remains unclear.

[2] Ibid.

- *formally seek the guidance and assistance of the Department of Contracts (DoC). Through such an approach, the UM will benefit from the DoC's expertise in the formulation of calls for bids and agreements with third parties.*

**Developments: *Partly Implemented***

This Office noted the following developments:

- Carrying out of detailed risk assessments: The period April 2023 to October 2025 was not characterised by UM capital projects that had the same nature and financial magnitude like the Campus Hub and the SLC projects. Nevertheless, it transpires that the UM are conducting Cost Benefit Analysis (CBA) to assess the economic risk related to any planned capital projects, including *inter alia* for the new Centre for the Dental Health Sciences, the expansion of the Archaeology Centre and, a Women's Archive within the UM's Library. However, during this period, UM did not develop any policy documents, Standard Operating Procedures (SOPs) or guidelines determining which capital projects qualify for a CBA as well as other risk assessments.

- Stakeholder consultation: UM indicated that it consults with all the stakeholders involved in the development of capital projects. Nevertheless, UM did not make available to this Office such documentation. UM contended that it will be documenting future stakeholder consultations.

- Liaising with the Department of Contracts (DoC): Through the minutes of the University's Steering Committee on Infrastructural Projects, it transpired that UM sought guidance from the DoC.

## All calls for bids for capital projects issued by the UM are to include the clauses related to the right of appeal, the minimum amount payable with respect to commissions receivable and the minimum ground rent payable

*All calls for bids issued by the UM are to include the following:*

- *clauses related to the right of appeal. This clause safeguards bidders' interest and ensures that a fair tendering process ensues.*

- *the minimum amount payable with respect to commissions receivable. This will ensure that UM's interests are appropriately safeguarded throughout the project's life cycle.*

- *the minimum ground rent payable rather than invite bidders to establish the level of ground rent due for the leasing of University-owned land. By establishing the minimum ground rent, the UM would be guaranteeing a fair return, based on the prevailing market value of land.*

**Developments:** ***Partly Implemented***

Although during the period under review the UM did not issue any calls for new concessions relating to capital projects, the UM stated that any future concessions similar to the Campus Hub shall include the right of appeal in line with the provisions of Subsidiary Legislation 601.09, the Concession Contracts Regulations. Moreover, in order to better safeguard its interests, UM plans to clearly establish both the commissions receivable as well as the minimum ground rent payable in case of future call for bids in relation to capital projects. On the other hand, it is to be noted that UM has included provisions relating to right of appeal when it issued other call for bids such as those related to its Canteen and the provision of ATM services. Nonetheless, for transparency and business continuity purposes, UM is encouraged to develop SOPs that include the relevant details such as the methodology to calculate the applicable minimum rates and the externalities to be considered.

### Partnership agreements with the private sector relating to capital projects, are to clearly include the expected deliverables as well as appropriate clawback provisions

*Contractual agreements governing the development and operation of capital projects through partnership agreements with the private sector are to ensure the:*

- *better definitions of deliverables through clear terms, conditions, specifications and Key Performance Indicators for each service component. A case in point relates to the level of maintenance and refurbishment expected from contractors throughout the lifetime of concessions.*

- *appropriate clawback provisions are in place and cover the project's lifetime. This will contribute to a fairer distribution of benefits between the parties.*

N.B. The NAO could not analyse progress on the implementation of this recommendation, as during the period under review, the UM did not enter into any new partnership agreements with the private sector on capital projects.

### Future capital projects are to increasingly consider utilising a sustainability checklist self-assessment tool or similar techniques

*Future capital projects are to increasingly consider utilising a sustainability checklist self-assessment tool or similar techniques. Such tools ensure that various sustainability aspects are duly taken into consideration at different stages of a capital project life cycle.*

**Developments:** ***Insignificant Progress***

UM contended that a sustainability checklist is already used as a self-assessment tool for capital projects. Moreover, UM is committed to explore and adopt similar tools that fit the projects' purpose to ensure their sustainability. Nevertheless, the NAO was not furnished with a comprehensive example regarding the application of a sustainability checklist.

## Sustainable Living Complex

### The University is to step up its efforts to dove-tail the remaining works at the Sustainable Living Complex

*The University is to step up its efforts to dove-tail the remaining works at the SLC so as to ascertain sound project management and avoid additional delays. Prolonging the delivery of this Project would have an impact on those Faculties and Institutes that shall be relocating to the SLC premises, as well as the opportunity cost associated with the liberated space. Moreover, additional delays in completing such a high-quality environment for inter-disciplinary research will also likely have an impact on the costs and potentially also on the EU funding arrangement in place.*

**Developments: *Insignificant Progress***

Existing structures at UM, mainly the officers responsible for monitoring this project and the Steering Committee on Infrastructural Projects, continued to follow this project closely. Whilst UM issued warning letters to, and imposed fines on the contractors, delays continued to materialise.

A review of the Steering Committee on Infrastructural Projects' minutes showed that UM is committed to complete all the SLC related works by June 2026. This would imply an additional one-year delay from the revised target date of June 2025, as referred to in the original NAO performance audit report (Para 3.6.8), dated April 2023.[3]

Moreover, as per EU Funding Guidelines[4], the project will need to be a '*functional*' project by February 2027. Within this context, both the Ministry for European Funds and the Implementation of the Electoral Programme (MFI) and the Managing Authority reaffirmed their commitment to continue monitoring the implementation of the project closely from an EU funding perspective. Nonetheless, the NAO encourages the expedient completion of the project to minimise the potential impact on the EU funding arrangement in place as well as the opportunity cost associated with the planned relocations of some Faculties and Institutes.

### The UM is to make optimal use of the resources and opportunities at its disposal, once the SLC is fully operational

*The UM is encouraged to, as far as possible, make optimal use of the resources and opportunities at its disposal, once the SLC is fully operational. Following the identification of resource-efficient and cost-effective solutions for more sustainable living, the sharing of such solutions with the local building industry is key for maximising the impacts and benefits to be reaped through this capital project. The SLC experience can be broadened to encompass all capital projects undertaken by the UM. This could be achieved by the adoption of sustainable practices, such as through a circular economy that facilitates the reuse and recycling of the various building*

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[3] National Audit Office (2003) An assessment of capital projects at the University of Malta [online]. Accessible at: https://nao.gov.mt/wp-content/uploads/2023/08/CapitalProjUoM2023.pdf

[4] Commission Notice C/2024/6126 on Guidelines on the closure of operational programmes adopted for assistance from the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and cross-border cooperation programmes under the Instrument for Pre-accession Assistance (IPA II) (2014-2020). Accessible at: https://eur-lex.europa.eu/eli/C/2024/6126/oj/eng

*components. Such an approach is expected to contribute positively towards increasing the stock of sustainable infrastructure, coupled with the associated environmental and socio-economic benefits.*

N.B. This recommendation could not be analysed as the SLC is not yet operational. Nevertheless, the University contended that it intends to maximise the use of this complex within the period 2026-2028, mainly by securing further research funding, increasing the number of doctorates and post-doctorates, educating students on the importance of sustainable development, as well as by collaborating more with the relevant industries.

## Campus Hub

### The UM and the Ministry for Health are encouraged to engage in discussions regarding the optimal use of the unutilised space within Block A of the Campus Hub

*The UM and the Ministry for Health are encouraged to engage in discussions regarding the Medical School at the earliest. This will enable stakeholders to make optimal use of the remaining area in question. To this end, it is pertinent to note that prolonging this issue will potentially imply higher costs in line with the general trend being experienced within the construction industry.*

**Developments: *Not Implemented***

*Although in the original report, the context included also the possible relocation of the medical school to the Campus Hub, the thrust of this recommendation relates to the optimal use of the as yet unutilised space within the Block A of the same building.*

This Office requested feedback regarding the unutilised space within Block A of the Campus Hub, mainly from the Ministry for Health and Active Ageing (MHA) and the UM.

The MHA stated that following a strategic reconsideration, its preferred option, as at October 2025, was to retain the Medical School within Mater Dei Hospital (MDH) precincts.

Regarding the unutilised space within the Campus Hub, the UM contended that its role is regulated through the concession agreement with Campus Residence Malta Limited (CRML). To this end, it is now within CRML's discretion to decide on the utilisation of this space, subject to UM's approval in line with the concession agreement.

Nevertheless, it is to be noted that as at October 2025, the space in question remained unutilised. This situation implies that:

i. The UM continues to lose potential revenues from applicable commissions, in case such space is utilised for commercial purposes by the Concessionaire; and,

ii. If Government identifies the need to utilise such space, procrastination on expressing its interest, may result in having to bear higher costs for the leasing of this space subject to the prevailing and increasing market rates.[5]

### The UM is to make optimal use of the monitoring rights emanating from the Campus Hub's contractual framework and to undertake systematic monitoring

*The UM is to trump on the monitoring rights emanating from the Campus Hub's contractual framework, to ensure proper upkeep and adequate service delivery. This approach would ensure that, at the end of the concession period, the Contractor returns the Campus Hub development to the University in the best condition possible to enable its continued operation in the longer term. Moreover, systematic monitoring by the UM would also safeguard its revenue during the concession period.*

**Developments: *Insignificant Progress***

UM, while contending that it actively monitors operations at the Campus Hub premises through its representative on the Concessionaire's Board of Directors, it does not specifically document such monitoring. This follow-up audit also revealed that following the publication of the NAO's Performance Audit report in April 2023, a number of planning applications were submitted by the Concessionaire to sanction or amend a specific use of part of these premises.[6]

## Conclusion

The NAO acknowledges that the UM has not carried out new capital projects that are comparable, in magnitude and nature, to the SLC and the Campus Hub. Nevertheless, the NAO notes that the UM has not followed up on a number of recommendations proposed through its April 2023 Performance Audit. This situation resulted in six out of the eight (75 per cent) NAO recommendations that could have been assessed, being classified as insignificant progress or not implemented. This Office augurs that the UM immediately embarks on the implementation of the proposed recommendations to strengthen its strategic and governance framework. In view of the limited progress registered, the NAO may actively consider revisiting the April 2023 Performance Audit.

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[5] This is without prejudice to the space that may become vacant within the UM's precincts, following the relocation of some faculties and institutes to the Sustainable Living Complex, upon its completion.

[6] PA/04291/25 i.e. Sanctioning of Electronic Information Display - *Permission granted on 3 September 2025.*
PA/06075/25 i.e. Change of Use from Car Park to Car Wash Level-2A - *Permission granted on 16 December 2025.*
PA/07239/23 i.e. Sanctioning of site used as student recreational area - *Refused on 18 September 2024.*
PA/07398/22 i.e. Sanctioning of affixed shop signs and proposed fixing of shop signs and electronic advertisement for commercial outlets at the University Residence and Community Complex covered by PA/7628/20 - *Permission granted on 4 July 2023.*
PA/07847/22 i.e. Proposed screening of roof services at the University Residence and Community Complex covered by PA7628/20 - *Permission granted on 26 May 2023.*

# Ministry for Transport, Infrastructure and Public Works

Performance Audit – Assessing the public transport contract and Transport Malta's visibility on the service

# Assessing the public transport contract and Transport Malta's visibility on the service

## Background

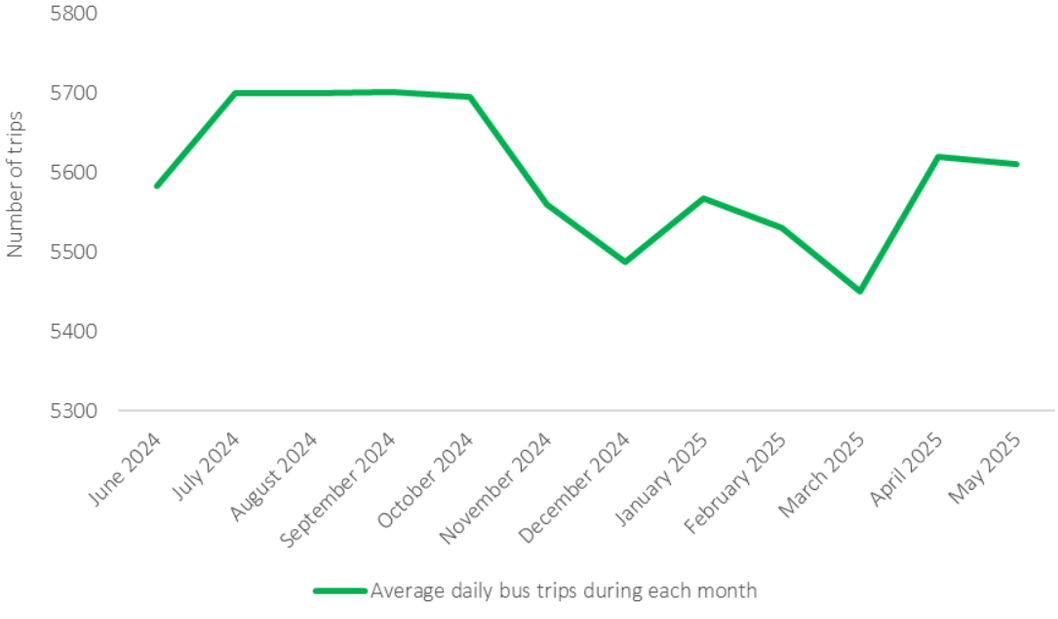
This follow-up audit reports on the progress registered to date by Transport Malta (TM) in implementing the recommendations put forward by the National Audit Office (NAO) in its Performance Audit report "***Assessing the public transport contract and Transport Malta's visibility on the service***" published in February 2020.

The public transport service in Malta is governed by a contract between TM and a third-party operator. TM's Public Transport Unit (PTU) is responsible for managing this contract, which includes conducting compliance checks to ensure that contractual clauses are being respected, as well as monitoring and reporting on the operator's performance.

The contract, dated 8th January 2015, covers the provision of this service up to its termination date on 7th January 2030, and had originally been estimated to cost over €430 million during this period. As from 1st October 2022 however, Government extended the eligibility for free public transport to all citizens and residents of Malta and Gozo. This measure has significantly increased the annual cost of this contract from just over €36.3 million in 2021 to almost €42.8 million in 2022, €69.4 million in 2023, and an estimated expenditure of €74 million for 2024.

As at the end of May 2025, the public transport service contract covered 119 routes, with a fleet of 496 buses in active service. The average number of daily trips operated per month between June 2024 and May 2025 remained largely consistent, as demonstrated by Figure 1 below, and ranged between 5,451 to 5,702 average daily trips.

Figure 1: Average daily bus trips during each month



## Audit Scope, Objectives and Methodology

The objective of this follow-up review is to determine whether the recommendations set out in the original 2020 report were implemented or otherwise by the PTU and, if in the affirmative, the extent of implementation. Unless otherwise stated, the issues and conclusions presented in this report are based on information received by this Office until the end of August 2025. No other issues apart from those raised in the 2020 report were considered in this publication.

In order to carry out this review, the recommendations of the 2020 report were sent to the PTU, with the NAO requesting feedback regarding the progress made towards implementing each one. Following receipt and analysis of the auditee's initial feedback, a semi-structured meeting was held with PTU management, intended to provide the audit team with a better understanding of the current situation and to clarify queries regarding the information provided. Additional supporting documentation was also requested by this Office in order to substantiate assertions made during this meeting. In addition, the audit team carried out a site visit to PTU's offices for a demonstration of the process through which GPS data from the operator is received, extracted and analysed, as well as a number of visits to observe the physical inspections being carried out by the Unit's on-site inspectors. The latter included both official inspections where the team formally accompanied each inspector on a series of inspections, as well as others carried out by adopting a "mystery shopping" methodology.

The recommendations made in the 2020 report are reproduced in this publication, accompanied by the progress achieved by the PTU relating to each one.

## Contract Review

### Re-classification of health and safety non-conformities as non-rectifiable

*Recommendation 2.4.1 NAO considers safety issues as being of paramount importance. To this end, it is suggested that TM seeks to change the classification of health and safety non-conformities with the service provider, to re-classify them as non-rectifiable. This will reduce the unnecessary risk exposure to service users, while sending a stronger message to the provider and the taxpayer, that the public transportation service is to uphold the highest health and safety standards.*

**Development: *Partly Implemented***

In line with this recommendation, TM has carried out an exercise to revise the classification of all non-conformities into those that can be rectified and those that cannot. The audit team was forwarded a copy of an official letter, sent by TM to the service provider in June 2021, which outlined the non-conformities subject to a penalty upon detection and those that are not. This document showed that a number of health and safety related breaches had their classification revised from rectifiable to non-rectifiable and thus liable to an immediate penalty upon detection. Among others, these included torn or untreaded tyres, exposed wiring and dangerous panelling parts protruding from the inspected vehicle. While acknowledging this progress, the NAO however notes that a number of other health and safety related non-conformities, such as broken or cracked windows, missing light covers and uncovered wiring are still classified as rectifiable.

*Recommendation 2.4.2 This Office feels that the classification of non-compliances, to determine which are rectifiable and which are not, is an important element in the agreement. While NAO recommends that such a classification is clearly outlined in any future contract document per se, it also suggests for the current agreement that an official list is drafted and endorsed by both involved parties, possibly formalising it through an addendum.*

**Development: Fully Implemented**

The letter mentioned in point 2.4.1 above partly addresses this recommendation, serving as evidence that the classification of non-compliances into those which are rectifiable and those which are not, has been duly documented. This Office notes that TM submitted the above-mentioned document, revising the classification of non-conformities, to the public transport service operator on the 23rd of June 2021.

The audit team was also supplied with a copy of the response letter sent by the service provider (on the 24th of June 2021) in reply to the above, which stated: "*We therefore welcome the proposed changes to the procedure in ensuring compliance with our safety standards and we look forward to discussing their adoption in our concession agreement.*" While in NAO's view this does not constitute a formal agreement or, as originally proposed, a formal addendum to the original contract, it acknowledges that these two letters document a formal understanding between the involved parties. This review also considered instances in which the operator paid penalties imposed upon it by PTU in accordance with the aforementioned document, thereby substantiating this claim.

In view of the endorsement by both parties of the changes in question, related progress on this recommendation is being assigned as 'Fully Implemented'.

### Revision in the interpretation of contractual clauses regarding reliability and punctuality

*Recommendation 2.4.3 Although NAO does not encourage an overly restrictive approach to interpreting contractual clauses, particularly those relating to the application of penalties, on the other hand it urges the PTU to ascertain that its interpretation does not create undue leniency. The Unit should be able to achieve this by finding a workable middle-ground through which the service provider is allowed some natural leeway in supplying the service, while still providing a sufficient and effective deterrent if the latter defaults.*

**Development: *Not Implemented***

During the original audit, the NAO observed that a number of contractual clauses regarding penalties related to defaults in reliability and punctuality by the service provider were ambiguously written, allowing multiple interpretations with TM adopting the more tolerant stance in their implementation. For clarity's sake, in this context punctuality and reliability were defined as follows in the original report:

- **Punctuality** – the ability of the service provider to ensure that each bus departs from the starting point on each bus trip within the pre-set maximum time variance; and
- **Reliability** – the ability of the service provider to ensure that all bus trips are performed and according to the pre-established frequencies.

In this Office's view, while TM's interpretation of ambiguous penalty clauses is technically permissible by the contract, it allowed more room for defaulting incidents to occur before penalties were applied, potentially negatively impacting the quality of service provided.

During this follow-up review, the audit team was informed that both the interpretation of contractual clauses with regard to reliability and punctuality of bus trips, as well as the calculation of the respective penalties, have remained unchanged from the original audit. PTU management justified this stance by citing legal advice obtained on the matter, which endorsed this interpretation. Notwithstanding, PTU was not in a position to provide documentation to substantiate this assertion. Nevertheless, NAO was informed that the PTU has taken note of the original report's recommendation and will ensure that when the next contract for the provision of scheduled public transport services is being drawn up, care will be taken to ensure that contractual clauses relating to reliability and punctuality are written in a way that reduces ambiguity.

## Contract Monitoring and Control

### Automation of GPS data processing

*Recommendation 3.4.1 NAO acknowledges that the PTU is in the process of introducing an IT system to automate processes which currently absorb most of the Unit's office-based human resources. The PTU is nonetheless encouraged to expedite this implementation so that its benefits are reaped at the earliest. NAO also suggests that, once such human resources are relieved from what are currently deemed overly labour-intensive tasks, these are redirected towards other functions which would assist the Unit to form and analyse additional intelligence on the public transportation service.*

**Development: *Partly Implemented***

This follow-up review showed that the required labour-intensity in the processing of data (as observed by this Office in the 2020 publication) has been partially reduced. PTU asserted that the initial sorting of the GPS data, while still being received from the service provider four days in arrears, is now undertaken by a new software system. On the other hand, the audit team was informed that the subsequent analysis of this data to confirm compliance with the stipulated service levels as well as to calculate any resulting penalties, continues to be performed manually by PTU officials.

In view of these assertions, the audit team conducted a site visit at PTU offices to observe the revised procedure. The visit confirmed that the initial labour-intensive sorting phase had indeed been automated however, the process remains heavily reliant on manual human intervention, particularly in verifying breaches of service levels related to early trips, missed trips, late trips and deviations from route. This was particularly evident in the monitoring for trips that diverged from their originally assigned route, also known as deviations. In such cases, PTU officials are required to access the service provider's GPS platform and replay the recorded trip in order to review the route taken by the respective bus. The exercise, NAO was further informed, is so resource-intensive that the Unit is unable to review more than a limited sample of routes each month. The PTU acknowledged that this situation still merits further improvement and provided documentation which indicated that it is currently

in advanced discussions with an external service provider to develop an IT solution that will further automate this labour-intensive process.

With regard to the overall performance of this process however, NAO positively noted an improvement in efficiency resulting from the automation of the initial sorting phase. In line with the original report's recommendation, the audit team enquired about the reallocation of resources freed up through such improvements. In reply PTU management stated that the gains had only enabled the Unit to sustain existing operational levels, as it made up for a number of resignations from its staff complement.

### TM should increase its own monitoring inspections to verify the integrity of data being provided by the operator

*Recommendation 3.4.2 While this Office is not in a position to contend the reliability of GPS data, it still proposes that TM considers increasing the number of on-the-ground inspections intended at verifying its integrity. The importance of this measure emanates from the fact that this data is the sole basis in which the Unit roots several of its monitoring mechanisms.*

And;

*Recommendation 3.4.3 This Office also suggests that, as much as possible, the PTU refrains from relying on information which has already been processed by the service provider itself, thereby securing a higher level of comfort on the integrity of this information. NAO however once again acknowledges the Unit's efforts to introduce a new IT system which will automate most administrative processes related to the monitoring of the public transport service and possibly also eliminate such dependency.*

**Development: *Not Implemented***

During the fieldwork of this follow-up review, the audit team was informed that the Unit currently aims to allocate 250 hours per month to the monitoring of the integrity of GPS data submitted daily by the service provider. A review of weekly rosters provided by the PTU for the six-week period between 23rd June and 3rd August 2025 however revealed that, on average, the inspectorate only managed to allocate 34 hours per week (which results in an average of 147 hours per month) on the monitoring of data integrity. This average allocation of weekly hours does not materially differ from that observed at the time of the original report.

In view that average weekly allocation of hours has remained largely the same since the original audit, together with the fact that inspectors are still deployed on this type of monitoring only on weekdays, NAO considers that no meaningful progress has been made on these particular recommendations as the PTU continues to rely primarily on the information submitted by the service provider for monitoring purposes.

### Strengthening PTU's inspectorate complement

*Recommendation 3.4.4 NAO highly recommends that the PTU engages in an internal study to determine the number of inspectorate staff required to ensure increased visibility and a more accurate representation of on-*

*the-ground day-to-day operations. Should internal resources or external recruitment prove difficult to secure, the PTU could explore the possibility of outsourcing required resources. This Office also suggests that TM considers the introduction of non-uniformed inspectorate staff, and consequently the concept of on-the-ground mystery shopping, for an added layer of visibility in its monitoring effort.*

**Development: *Partly Implemented***

NAO positively notes that, as at mid-August 2025, the PTU had increased its inspectorate staff to seven inspectors, more than doubling this complement compared with the three officials employed in the Unit during the original 2020 audit. This Office also positively acknowledges the efforts made by the PTU to make the post of public transport inspector more appealing to applicants namely by increasing the associated salary. In addition, NAO observed that the shift pattern for inspectors was changed from a three-day to a four-day schedule, with inspectors now working two 12-hour shifts followed by two consecutive days off. This revised shift pattern, coupled with the increased complement, translates into an uninterrupted inspectorate presence during the operational hours of the service (except for night trips, which are not included in the current concession agreement). This is a significant improvement over the situation observed in the original 2020 report.

Queried on the internal study recommended by this Office, the PTU provided this Office with a document which indicates that a total of eight full-time equivalent (FTE) inspectors are required for the inspectorate function to operate effectively (specifically 6.5 FTEs allocated on bus inspections and 1.5 FTEs for route reliability and punctuality testing). NAO however noted that this single-page document, which appears to be an informal and internal working paper rather than an official study, did not explain in any detail how the Unit determined the total number of inspections and hours required for optimal operation of the inspectorate. When questioned about this, PTU management explained that the FTE allocation for bus inspection hours is based on the target of inspecting each vehicle in the operating fleet at least once per month. This inspection frequency was considered appropriate by PTU following consultations with the Vehicle Inspectorate Unit within TM. On the other hand, the FTEs deemed required to conduct route reliability and punctuality testing, are derived from PTU's target of monitoring 50% of all routes each month, a figure which management stated was established on the basis of the Unit's operational experience.

With regard to NAO's suggestion on the introduction of non-uniformed inspectorate staff, the PTU stated its disagreement, arguing that safety inspections require particular technical expertise. It was further explained that employing mystery shoppers would require specific training from PTU inspectors and that, by time, such officials would become known to bus drivers, thereby defeating the purpose of this initiative. Furthermore, PTU also indicated its preference for inspections to be conducted solely by uniformed personnel in order to visibly demonstrate to the public that the service is being monitored.

### Acquisition of electronic devices to facilitate inspections

*Recommendation 3.4.5 In view of the upcoming introduction of the new IT system (recommendation 3.4.1 refers), the PTU is encouraged to invest, as soon as possible, in the necessary electronic devices intended to streamline the reporting process of deficiencies identified during on-the ground inspections. This Office points out the*

*importance of such devices being compatible and able to communicate seamlessly with the above-mentioned system so that maximum efficiency is secured in this upgrade.*

**Development: *Insignificant Progress***

NAO was informed that the PTU has been, for some time, seeking an appropriate software solution to implement this recommendation. Correspondence reviewed by the audit team indicates that PTU management had explored a number of options for this solution with different service providers, albeit unsuccessfully. The PTU stated that while it is currently in discussions with a potential supplier, the process is still in its initial phase, with both parties seeking clarifications and testing regarding the technical requirements of the proposed software. The Unit additionally highlighted that it had attempted to source potential solutions from other government departments, albeit to no avail.

Despite the above, NAO notes that, to date, approval for the software and devices in question has not been secured and inspections remain paper-based, requiring additional administrative effort and causing delays between the date of inspection and the subsequent inputting of inspection details onto the system.

### Need for a more systematic and comprehensive inspectorate system

*Recommendation 3.4.6 While NAO does not contend the need for inspectorate staff to be afforded some leeway in their operation, it recommends that the PTU ensures that the public transportation service, as a whole, is thoroughly monitored through a more systematic approach. Specifically, the Unit needs to absorb such a leeway in its inspectorate function, but not at the cost of having the transportation network not being monitored comprehensively. NAO suggests that the Unit's approach to this should be rooted in a formalised risk-based profiling system on the entire network. This Office acknowledges that, in order for this to be successfully implemented, the PTU's on-the-ground human resources need to be bolstered (reference to recommendation 3.4.4 is made).*

**Development: *Partly Implemented***

During meetings with PTU management, NAO was informed that inspectors' schedules now typically target the highest-volume bus stops, including routes coming from different geographical locations and those that are prone to be affected by heavy traffic issues. Having reviewed a sample of inspection rosters the audit team confirmed that this was the case, noting for example, emphasis on the Floriana and Marsa terminals. PTU management further highlighted that inspectors are also deployed to specific bus routes or stops where consistent complaints have been lodged by service users. Notwithstanding, the audit team observed that, while in the original audit inspectors were assigned specific routes to inspect (while being afforded some leeway to divert from this should they feel the situation merits), the current practice involves the inspectors being deployed in specific locations throughout the network and being entrusted with additional leeway to decide themselves which buses are to be inspected within that assigned area.

While acknowledging that the above system is, in principle, built with a risk-based mindset, this Office feels that it cannot be considered as a formalised risk-based profiling system. Specifically, the audit team observed that,

while inspector deployments were determined through operational experience, this could not be substantiated with formal and documented data-driven analysis, which could conclusively confirm the former and/or ensure comprehensiveness.

Notwithstanding, the audit team endeavoured to collect information so that it could assess whether this new system has resulted in an improvement or otherwise. Being introduced in 2022, information was requested and received from PTU for the years 2021-2023, so that a comparison could be made between the old system and any immediate changes brought about by the new one. This information showed that while the inspectorate consistently covered a similar proportion of the fleet each month (averaging 73% of all buses in 2021, 72% in 2022 and 69% in 2023), the total number of inspections varied from one year to the next. Specifically, the total number of inspections conducted in 2022 increased slightly by 9% compared with 2021, before declining by 17% in 2023. Similarly, the average number of monthly inspections carried out by each inspector rose from 282 in 2021 to 331 in 2022, before decreasing to 252 in 2023. While acknowledging that this information, by itself, may not be a comprehensive analysis of the situation, and that the period in question was affected by the COVID pandemic, it is evident that the new system did not bring about a material improvement to either the coverage, or the frequency of PTU's inspection system.

To this end, while NAO commends PTU for the evident effort invested to change this system, it encourages the latter to reconsider implementing a solution which is closer to the original recommendation, both in terms of the leeway afforded to inspectors and the adoption of a more formalised risk-based approach to inspection scheduling.

### Ensuring quality and consistency of inspections

*Recommendation 3.4.7 In addition to the immediately preceding point, the Unit is also encouraged to take the necessary measures to ensure that the quality of inspections being carried out by its inspectorate staff is more consistent throughout.*

**Development: *Not Implemented***

PTU management indicated that, in order to monitor the quality of inspections carried out, regular reviews of the information recorded in inspection reports are undertaken. While adding that communication with inspectors has been strengthened, PTU management however acknowledged that inspectors are not actively monitored while in the field.

In order to obtain a first-hand assessment on progress registered regarding this recommendation, NAO adopted a similar methodology to that used in the original audit. Specifically, the audit team undertook both a mystery shopping exercise as well as a series of accompanied inspection visits with each inspector. This fieldwork revealed that, when openly accompanied by the audit team, inspectors demonstrated a high degree of meticulousness in carrying out their duties, which indicated that these officers possess a generally good understanding of the requirements of their work. On the other hand however, inspections were not carried out with the same level of rigour by the same inspectors while being observed during the mystery shopping exercise. By way of an

example, the functionality of wheelchair ramps (a mandatory inspection item for every bus) was not checked during any of the latter instances . Other checklist components such as tyre wear, interior ambient temperature and vehicle horn functionality were also not consistently checked. Through this, NAO concludes that while PTU inspectors are aware of their responsibilities, the execution of their actual work can benefit from better rigour and consistency.

The PTU informed the NAO that the above was being accepted and that the introduction of the software outlined in recommendation 3.4.5 is expected to address most of the inconsistencies identified by the audit team in this regard.

### Formalising the operation of PTU's own customer care function

*Recommendation 3.4.8 This Office also strongly recommends that, at the earliest, the PTU draws up and formally implements a standard operating procedure which governs the processes within its customer care function.*

**Development: *Significant Progress***

When queried on the progress made regarding this recommendation, the PTU acknowledged that no Standard Operating Procedure (SOP) had yet been developed. The audit team was however informed that an exercise is currently being undertaken by TM, to create SOPs for all entities within its remit. This exercise, NAO was further informed, is being outsourced, with a Preliminary Market Consultation issued on 31st October 2024 to obtain information regarding "the development of policies, standard operating procedures and a business process re-engineering exercise" for TM. The audit team was also provided with a tender document for a Negotiated Procedure for the same services carrying a submission deadline of 29th July 2025. A cursory review of this second document showed that the Land Transport Directorate (the directorate responsible for the PTU) has been identified as a high priority area on which this exercise is intended to focus. When asked about the expected completion of this exercise, TM noted that this should be finalised within the current calendar year, even though the audit team noted that the documentation reviewed refers to an overall period of fourteen months for this exercise to be completed.

*Recommendation 3.4.9 As for the manner by which the PTU documents received complaints, NAO strongly suggests that these are thoroughly recorded from their receipt up to their final resolution. In so doing, a clear and dependable audit trail is preserved, thereby enabling the Unit to, inter alia, track progress of registered complaints.*

**Development: *Insignificant Progress***

During the original audit, NAO observed that the PTU was recording complaints received on a basic spreadsheet, with the Unit acknowledging that these were only tracked up to the point of registration. To assess progress on this recommendation, the audit team conducted a site visit at PTU offices to review the procedures in place for monitoring and tracking complaints.

During this visit NAO observed that the same spreadsheet system had been retained, albeit with the addition of two fields: one to register the date on which the complaint was reviewed by PTU management and another to record any action taken in response to the issue being raised. The audit team was further informed that irrespective of whether the complaint has been fully resolved, it is marked as closed once a member of management completes these two additional fields, even if further information is needed to act on the complaint. If and when the requested additional information is received, a new complaint entry is created within the same spreadsheet. NAO therefore notes that PTU's complaint management and monitoring system still does not produce an adequate audit trail or allow for comprehensive tracking, with the associated risk that filed complaints are not being monitored through to their full resolution but are instead only tracked until the initial acknowledgement or request for additional information by management.

While acknowledging the audit team's concerns that this situation was not ideal, PTU management stated that their attempts to adopt the complaints handling software being utilised by the customer care unit at TM had been unsuccessful. Notwithstanding, PTU highlighted that they plan to migrate their currently outsourced complaint management function to a government-owned and managed platform which, they believe, will better facilitate the receipt and management of complaints. A target date has however still to be set for this migration of platforms.

### Monitoring of the operator's customer care centre

*Recommendation 3.4.10 Finally, this Office recommends that a more systematic and comprehensive approach is adopted by the PTU in monitoring the performance of the operator's customer care centre. This would put TM in a better position to identify and resolve, in a timely manner, any shortcomings in this contractual obligation from the operator's part.*

**Development: *Fully Implemented***

NAO positively notes that the PTU has developed a detailed SOP outlining how it will monitor and assess the quality of customer service provided by the service provider's call centre. Upon reviewing this SOP, NAO observed that the process is designed to ensure an audit trail of the monitoring activities undertaken by the Unit in this regard, thereby placing it in a more favourable position to identify and address, in a timely manner, any reduction in the quality of this function. The audit team was also informed that the Unit intends to develop the respective queries to reflect issues raised through the complaints process discussed in the immediately preceding recommendation. Documentation provided to this Office shows that the Unit has (as of August 2025) adopted this SOP and is systematically logging calls for the monitoring of the provider's customer call centre. Moreover, PTU asserted that, starting September, the process will be revised to include additional details aimed at creating a more comprehensive audit trail of this contractually-binding monitoring requirement.

## Conclusion

This Office notes that, out of the 13 recommendations set out in the original 2020 report, the PTU has fully implemented two and managed varying degrees of progress on a further seven (four of which being partly implemented), with the remaining four recommendations still to be implemented. While this Office acknowledges the PTU's efforts, particularly in relation to the re-classification of safety-related deficiencies on buses, as well as the increase in human resources within the inspectorate function, it believes the PTU still needs to invest more attention on several areas of its operations. Of particular concern are the consistency and efficiency of its inspectorate function, the efficiency of its back-office monitoring processes and the methodology applied when handling complaints received from the service users. To this end, NAO encourages PTU to enhance its efforts to register further progress in implementing outstanding recommendations, with a view to securing better visibility and monitoring of the local public transportation service.

# Ministry for Gozo and Planning

Information Technology Audit – Planning Authority

# Planning Authority

## Background

The Planning Authority (PA) is the designated competent authority responsible for overseeing the comprehensive and sustainable management of land use across the Maltese Islands. This responsibility extends to both public and private land, and is carried out in alignment with officially approved policies, plans, and strategic frameworks. The PA's core mission is to promote and achieve sustainable development by formulating development plans and policies, as well as by evaluating and processing planning applications in accordance with established legal and regulatory standards.

A significant institutional change occurred with the enactment of Act No. VII of the Development Planning Act, 2016 (Chapter 552 of the Laws of Malta), which came into effect on 4 April 2016. This legislation led to the re-establishment of the PA as a distinct entity, following the dissolution of the former Malta Environment and Planning Authority. The reform effectively split the latter's dual functions, reassigning environmental responsibilities to the newly created Environment and Resources Authority (ERA), while planning and development control duties remained with the PA. As a result, the PA and ERA now operate as separate, independent authorities, each with clearly defined roles within their respective domains of planning and environmental governance.

## Audit Scope, Objectives and Methodology

The primary objective of this follow-up Information Technology (IT) audit is to assess the extent to which the audited entity has addressed the concerns and issues identified by the National Audit Office (NAO) in the original 2020 IT audit report. This follow-up exercise seeks to determine whether the recommendations outlined in the original audit were effectively implemented, partly addressed, or left unresolved. Where implementation has occurred, the audit further evaluates the degree and effectiveness of such actions.

To initiate the follow-up process, an introductory meeting was held with key stakeholders within the PA. During this meeting, the scope and objectives of the follow-up IT audit were clearly communicated, and emphasis was placed on the critical issues highlighted in the original audit report. These issues were compiled into a comprehensive checklist, which was subsequently forwarded to the PA. The foregoing was requested to review each item identified in the checklist and provide detailed feedback outlining the progress achieved since the original audit.

Upon receipt of its responses and supporting evidence, the audit team conducted a thorough analysis of the submitted information. To gain further insights into the actions taken and current circumstances, meetings were held with key stakeholders within the PA.

Each issue identified in the original 2020 IT audit report was evaluated using a defined scale, designed to measure the level of implementation of the respective recommended actions. For transparency and ease of reference, key issues and any corresponding recommendations are presented in grey text and italics below.

## Key Issues

### No formal ICT strategy

*Whilst the NAO acknowledges the fact that the PA does not have a formal Information and Communications Technology (ICT) strategy, the NAO commends all the initiatives undertaken by the PA over the past few years. However, the NAO highly recommends that the PA embarks on drafting a formal strategic plan for the coming years. This would serve to document the link between the objectives of the current ICT three-year plans and the objectives of the PA's strategic plan.*

**Developments: *Fully Implemented***

In 2022, the ICT, Mapping and Digital Services Directorate within the PA developed a Strategic Plan, which included the ICT strategy as a key component. Since its initial implementation, the plan has served as a guiding framework for the Directorate's strategic direction and has been consistently updated to reflect ongoing achievements, completed milestones, and the initiation of new projects. In line with its commitment to strategic governance and continuous development, the Directorate has subsequently provided this Office with the updated Strategic Plan covering the period 2025 to 2027.

### Policy for business case submission in major ICT investments

*The NAO recommends that the PA draws up a policy that would require a written business case to be submitted for review at Director's meetings, for every proposed major ICT investment. This policy should also include a template for such a business case.*

**Developments: *Fully Implemented***

A Needs Analysis Form was developed by the Corporate Services Directorate as a standardised tool to assess and document the justification for ICT procurement requests exceeding the value of €10,000 excluding Value Added Tax (VAT). This form, a copy of which was forwarded to this Office, serves as a critical component of the procurement process, ensuring that all significant ICT purchases are aligned with organisational needs and strategic priorities. Once reviewed and approved, completed forms are retained by the Procurement Unit for record-keeping and audit purposes.

Additionally, for ICT purchases valued over €5,000 (VAT excl.), a formal justification must be submitted via email to the Director of ICT, Mapping and Digital Services Directorate, thereby ensuring appropriate oversight and accountability for mid-level acquisitions.

## Documenting Director's meetings on ICT operations and investments decisions

*The NAO also recommends that minutes of the Director's meetings with the Executive Chairman are taken, especially those meetings where:*

a. *Changes that may impact ICT operations are being discussed.*

b. *Business cases for ICT investments are being assessed.*

*Such minutes would serve as a written record (for audit purposes) of the rationale used in determining the need for a proposed ICT related investment and/or change and the process used to review the options considered.*

**Developments: *Fully Implemented***

The NAO observed that minutes of the Director's meetings on ICT matters are now systematically being recorded and retained by the Executive Chairman's Office. These minutes are subsequently circulated via email to all officials invited to the meeting, including those who were unable to attend.

## Disposal of ICT equipment

*The last disposal of assets was carried out five years ago, whereby a sub-contractor was engaged to dispose of ICT equipment, which was obsolete or beyond economical repair. However, the PA could not trace any digital documentation related to the abovementioned disposal of ICT equipment ... the NAO recommends that when the PA decides to dispose of a number of obsolete or faulty ICT equipment, a sub-contractor is engaged and ensure that the PA keeps a record of all the items disposed of, in the Hardware Inventory System application. In terms of hard disks, the NAO also recommends that these are physically destroyed (shredded) through a third-party operator, and the PA oversees the shredding process of hard disks. Upon completion, the operator should then provide a Certificate of Destruction that will include the number of hard disks that were shredded on that date.*

**Developments: *Fully Implemented***

In December 2024, the ICT Hardware Inventory System underwent a significant upgrade to enhance its functionality and record-keeping capabilities. The system now records all ICT equipment classified under the categories of Disposed, Donated, or Retained by User. In addition to tracking the status of each item, the system also stores supporting documentation, including official receipts for donations and disposal actions. This ensures greater transparency, accountability, and ease of auditing for hardware asset management.

Within this context, the NAO observed that the PA has implemented appropriate measures for the secure disposal of old backup tapes. Evidence provided included a report outlining the procedures followed, together with a Certificate of Destruction issued by the third-party service provider, engaged to carry out this process. This documentation demonstrates that the PA is following best practices for the secure handling and disposal of sensitive data, thereby reducing the risk of unauthorised access.

The NAO also commends the PA for its initiative to support the community by donating 10 decommissioned, yet fully operational computers to the Valletta Local Council. This shows that the PA is making good use of public resources while also giving something back to the community.

### Patch management

*Notwithstanding that the Windows servers and Microsoft SQL server instances are being updated regularly with the latest hotfixes and security patches, the NAO recommends that these should ideally first be installed manually on a test environment. If no abnormal behaviour is observed, these hotfixes and patch releases must then be deployed on the 'live' servers.*

**Developments: *Fully Implemented***

Prior to deployment in the 'live' environment, all patches are initially installed and thoroughly tested on the SQL Server within a controlled test environment. This precautionary step is undertaken to verify that the SQL Server remains fully operational and stable following the application of the patches. Only after successful validation and confirmation of system integrity in the test environment are the patches manually applied to the 'live' SQL Server. This staged approach minimises the risk of service disruption and ensures continuity of database availability.

### Need for business continuity and disaster recovery planning in ICT operations through risk assessment

*The NAO was informed that notwithstanding that the PA had incidents of non-availability of IT systems in the past, which might have impacted its overall operation, the PA has never conducted a business impact analysis or a risk assessment exercise, and thus, the PA does not have a Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP) in place ... the NAO was informed that the PA obtained funds from an European Union funded project for consultancy on drafting a BCP and DRP, which will also include a risk assessment exercise ... the NAO is of the opinion that following this study, the PA would be in a better position to draw up a risk management strategy, on the various topics highlighted above, and be able to implement it across the PA, to ensure that the Authority would be able to identify, assess and manage any type of ICT related risk, and draft a BCP and DRP at an organisational level.*

**Developments: *Fully Implemented***

The NAO was provided with a copy of the BCP and DRP that was drawn up by the PA. This plan specifically addresses the critical systems currently used within the PA and identifies the key stakeholders responsible for ensuring the swift restoration of operations should any disruption or disaster occur. Upon review, the NAO noted that the plan had been recently updated in March 2025 and subsequently approved in April 2025, demonstrating the PA's commitment to maintaining an effective and current strategy for business continuity and disaster recovery.

### Better use of social media platforms

*With reference to the publication of the PA press notices on the Government Gazette, the NAO opines that the PA is not making best use of social media platforms available in this regard. Thus, the NAO recommends that the PA*

*conducts a review of the communication channels used for the publication of the PA press notices, to make better use of existing social media platforms, for instance, the PA may negotiate with the Local Councils the possibility of publishing the development application notices in their locality on their website and/or official Facebook page.*

**Developments: *Fully Implemented***

The NAO acknowledges that the PA's Facebook page is maintained and regularly updated. It was observed that a featured post dedicated to the Weekly Planning Update has been created and pinned to remain visible at the top of the page. The aim of this post is to provide followers with timely reminders and direct access to information published in the Government Gazette, including the weekly list of planning applications received, decisions issued, enforcement notices published, Government notices related to the PA, and other legal notices relevant to the PA's operations.

## Business process re-engineering and automation in ICT systems

*The NAO was informed that the procedure for a regular business process re-engineering has not been formalised on some of the core systems reviewed for the purpose of this IT audit. However, this does not exclude that informal reviews have been carried out. In line with the above, the NAO recommends that this process is formalised and focuses on areas such as the possible automation of the recording of billing and/or payment transactions in PA's accounting software.*

**Developments: *No Longer Applicable***

In light of the audit findings, the NAO was informed that the implementation of a comprehensive business process re-engineering initiative was not deemed feasible, primarily due to the fact that the PA's core processes are predominantly governed by legislative provisions. Nevertheless, a series of minor yet significant enhancements were introduced with the objective of improving operational efficiency and minimising the potential for human error. These incremental changes were meticulously documented within the Job Request Information System (JRIS), which serves as the official repository for all process-related modifications.

With regard to the potential integration of internal systems with the Accounting Package, the PA consulted with the relevant local supplier to explore technically viable interfacing solutions. However, following a thorough assessment, it was concluded that a technically and operationally acceptable solution could not be identified under the current system architecture.

## Enhancing document management and retention policies for improved corporate governance

*It is clear that the PA needs to conduct a thorough internal review of its document management processes related to its administrative functions. It is critical that such a review considers the establishment of an organisation-wide document retention policy and complemented with the relative standard operating procedures ... The NAO recommends that the principles adopted for document management related to permit applications is applied to this sector of PA's business processes. This will strengthen the Authority's corporate governance in terms of transparency, accountability and efficiency.*

**Developments: *Fully Implemented***

The PA carried out a review of its document management practices, specifically focusing on the procurement function. As a result of this assessment, the PA introduced an organisation-wide Procurement Documentation Policy (a copy of which was forwarded to this Office). The primary objective of this policy is to establish clear and consistent guidelines for the retention and management of documentation throughout all phases of the procurement and contracting lifecycle. It defines specific responsibilities within the PA to ensure accountability, transparency, and compliance with regulatory and audit requirements. This policy serves to strengthen internal controls and support the integrity of procurement-related record-keeping practices.

### Concerns over inadequate documentation and retention practices in direct orders

*The PA's document management, including its retention, deviated from generally accepted practices in cases of direct orders. A case in point relates to the specific direct order where key documentation was also not made available to the requesting source in terms of the Freedom of Information Act. This review could not confirm whether the documentation was unavailable because it was either misplaced or not compiled. Additionally, this review noted two other cases where contracts relating to direct orders were not made available. Although one would expect that the PA would maintain the full documentation, the NAO sought to retrieve such documentation through other Government entities but to no avail. This implies that the documentation may not have been drawn up at the outset. This raises concerns as to why the PA sought to adopt such procedures rather than apply the same processes as it did with the other cases.*

**Developments: *Partly Implemented***

In addition to the Procurement Documentation Policy highlighted above, the PA has also implemented a Procurement Analysis Policy (a copy of which was forwarded to this Office). The aim of this policy is to establish a standardised and structured approach across all PA Directorates to carry out a comprehensive needs analysis exercise prior to initiating any procurement process for services, supplies, or works with an estimated value exceeding €10,000 (VAT excl.).

This policy clearly specified the documentation requirements at each stage of the process, including the preliminary needs analysis, publication of tenders and negotiating procedures (in case of direct orders), evaluation, award, implementation, certification of deliverables, payments and the necessary approvals and authorisations.

By establishing these guidelines, the policy aims to strengthen consistency, transparency, and good governance in all procurement and contracting activities undertaken by the Authority.

In this context, the NAO requested a list of direct orders awarded by the PA between January and December 2024, with a contract value above €10,000 (VAT excl.). The NAO noted that, out of nine direct orders awarded during this period, three were not supported by the needs analysis form, as required by the PA's own internal policy.

While the Procurement Analysis Policy provides a solid framework to safeguard transparency and accountability, the NAO's findings highlight gaps in compliance. This underlines the need for stricter adherence to internal policies to ensure that the intended objectives of governance and consistency are fully achieved.

### Lack of file referencing in direct orders raises transparency concerns

*Key to a document registry system is the file reference number. Such a system facilitates tracking of documentation pertaining to the same file and grouping of information under one heading. Thus, it facilitates audit trail and transparency. However, five of the fifteen cases were not assigned an internal reference number. This situation raises transparency concerns, in view that, apart from the lack of a file reference number, these services were awarded to specific parties without a call for tender.*

**Developments: *Fully Implemented***

In 2025, the PA introduced two new forms to enhance accountability and transparency of its procurement and financial processes.

The first form, titled Goods Received and/or Services Rendered Declaration, must be completed immediately upon the delivery of goods or the provision of services. It must be filled in and duly signed by the designated Unit that receives the goods or services on behalf of the PA. The signature serves as an official acknowledgment that the delivery has been satisfactorily completed, confirming that the goods or services meet the required standards and specifications. Additionally, this form acts as a formal declaration that all necessary conditions related to the delivery have been fulfilled.

The second form, titled Invoice Control Checklist, was designed specifically for internal use by the Finance Unit. This checklist functions as a systematic tool to document and ensure thorough verification of every invoice received. Among the key elements verified using this checklist are the unique vendor's VAT and Company Registration Identification Numbers, which are essential for compliance and record-keeping purposes. The implementation of this checklist aims to enhance accountability, improve accuracy in financial processing, and maintain regulatory compliance within the PA's financial processes.

A review of the documentation made available to the NAO on direct orders issued by the PA between January and December 2024, with a contract value above €10,000 (VAT excl.), found that three invoices submitted to the Finance Unit for payment at the start of 2025 were processed in line with the new procedure.

## Conclusion

The NAO positively acknowledges the significant effort that was made by the PA in addressing the weaknesses identified in the initial audit, noting that, with one exception, all of the recommendations were fully implemented. This demonstrates the PA's commitment to addressing the audit findings and to strengthening its internal processes.

## 2025-2026 (to date) Reports issued by NAO

### NAO Annual Report and Financial Statements

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| July 2025 | National Audit Office Annual Report and Financial Statements 2024 |

### NAO Audit Reports

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| June 2025 | Climate change adaptation: Evaluating Malta's efforts relating to flooding and sea level rise |
| July 2025 | Performance Audit: An assessment on the Inspections Coordination Office Initiative |
| July 2025 | Follow-up Audits Report by the National Audit Office Volume I 2025 |
| July 2025 | Joint Audit on the Performance of the Interreg Italy - Malta Programmes: The Results Achieved in the 2014-2020 Programming Cycle and an Outlook on the 2021-2027 |
| September 2025 | The Government's rescission of restrictions on the site of the Fortina Hotel |
| October 2025 | A review of Malta's climate action using the ClimateScanner framework |
| November 2025 | Report by the Auditor General on the Workings of Local Government for the year 2024 |
| December 2025 | Report by the Auditor General on the Public Accounts for the year 2024 |
| December 2025 | Performance Audit: Home-Based Medical and Clinical Services for the Elderly |
| December 2025 | Performance Audit: A Strategic Evaluation of Malta's Smart Specialisation Strategy for Research and Innovation |