NAO's Approach in Ensuring Accountability

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NAO (MALTA) ACCOUNTABILITY

Publication of Audit Reports

- **NAO publishes the following audit reports:**

    – **The Annual Audit Report by the Auditor General on Public Accounts**

    – **Special Audits and Investigations Reports**

    – **Performance Audit Reports**

    – **Annual Report on the Work and Activities of the NAO**

Publication of Audit Reports (cont.)

- The Annual Audit Report by the Auditor General on Public Accounts and the Annual Report on the Work and Activities of the NAO are to be issued within 12 months after financial year end.

- Special Audits and Investigations Reports and Performance Audit Reports are published once concluded.

- The Annual Report on the Work and Activities of the NAO provides a summary of the principal works and activities carried out by the Office for the particular year.

Presentation of Audit Reports and Annual financial statements

- **All reports prepared by the Auditor General are presented to the Speaker of the House of Representatives.**

- **These reports, or parts thereof, may then be taken up and examined by the Public Accounts Committee.**

- **NAO also prepares annual audited financial statements, prepared on an accruals basis, that are presented to the National Audit Office Accounts Committee.**

Quality Control and Monitoring Progress at NAO

- **NAO Malta operates a quality control system that comprises structures, policies and procedures designed to ensure that the work undertaken by the Office meets professional requirements and standards.**

- **Progress towards the achievement of NAO strategic and operational objectives is measured through the monitoring of a number of performance indicators such as:**

    - **the number of audits carried out and reports published per year;**

    - **the audit hours utilised to carry out an audit;**

    - **share of time allocated by each staff member to each audit and administrative task (through monitoring of time sheets);**

Quality Control and Monitoring Progress at NAO (cont.)

- feedback from auditees and other readers of our reports on the quality of performance audit reports through:
  - Performance Audit Questionnaire – An Invitation to Comment
  - Readership Survey;
- staff positions held as at the end of each year;
- the number of professionally qualified staff and types of qualifications held;
- seminars and training courses organised and attended; and
- NAO participation in the international sphere.

NAO Performance Appraisal System

- A performance appraisal system is also in place to review and assess the performance of all members of staff. This involves the preparation of:

  - Performance Plans
  - Mid-Year Assessments
  - End-of-Year Assessments

- Managers, in coordination with their Assistant Auditor General, prepare Performance Plans for themselves and for each member of their staff. These include key tasks to be undertaken and the related performance targets for that particular year.

Mid Year and End of Year Performance Assessments

- Although monitoring of staff performance is carried out throughout the year, formal performance reviews are carried out twice yearly.

- Mid-Year Assessments
  - Managers in their role as reviewing officers prepare performance reviews of their staff for the first six months of the year.
  - Reviewing officers rigorously appraise the officers' performance on the basis of tangible achievements in relation to targets.

Mid Year and End of Year Performance Assessments (cont.)

- **End-of-Year Assessments**
  - Managers rate their staff in one of five categories (unsatisfactory, needs improvement, commendable, superior and exceptional) on the basis of performance and actual results achieved.
  - The Reviewing Officer meets the individual concerned to review constructively the overall performance with suggestions of how performance could be improved.

- The above reviews serve to identify any assistance which may be given to improve performance and take into account critical constraints which might have hindered the officer's performance.

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AUDITEE ACCOUNTABILITY

Provisions in NAO legislation related to Auditee Accountability

- **The Auditor General and National Audit Office Act (Chapter 396 of the Laws of Malta) stipulates that the Auditor General shall report:**

  - annually to the House of Representatives on whether in carrying out his work he received all the information and explanations he required (paragraph 5 of the First Schedule of the Act);

  - any serious irregularity discovered by the Auditor General in a government department, office or entity to the Minister responsible for that department, office or entity (paragraph 10a of the First Schedule of the Act); and

  - any person who fails to comply with the provisions of the Auditor General and National Audit Office Act and the Financial Administration and Audit Act to the Minister responsible for that Government Department or entity (paragraph 10(b)(i) of the First Schedule of the Act).

Provisions in NAO legislation related to Auditee Accountability (cont.)

- The Act also states that the Auditor General shall make queries and observations addressed to any accounting officer or officer in any way concerned with the receipt or payment of public monies and call for explanations as he may think necessary (paragraph 10(c) of the First Schedule of the Act).

Public sector audits and related audit findings

- **In order to fulfill its mandate effectively and ensure auditee accountability, the NAO undertakes various types of audits namely:**
  - **Financial and Compliance Audits**
  - **Performance Audits**
  - **Special Audits and Investigations**
  - **IT Audits**

- **Audit findings arising out of the above audits are discussed with senior management of the auditee, *inter alia*, to:**
  - **determine whether the deficiency is an isolated instance or represents a generic or systemic problem;**
  - **identify the cause of the deficiency;**
  - **determine whether the problem can be addressed by the auditee or is outside its control; and**
  - **assess the potential effect of the deficiency on results.**

NAO Draft Report forwarded to Audit Entities for their Feedback

- Upon conclusion of the audit, the draft final report is forwarded to auditee senior management so that the latter would have the opportunity to provide feedback and comments on the findings of the report.

- NAO accompanies the draft with an invitation to auditee senior management to attend a meeting termed "Exit Conference".

- Auditee senior management is advised to review the report content and to submit formal, written feedback to the NAO.

Exit Conference and Follow Up

- **Such feedback serves as an agenda for the Exit Conference, during which any issues, findings and conclusions in dispute, as well as recommendations, are discussed so as to ensure that content of NAO Report is accurate and fair.**

- **During the exit conference, reasons for possible divergences between the views of the Office and the audited entity are clearly identified.**

- **NAO management then considers and evaluates the feedback obtained from the auditee, and if necessary revises the report accordingly and/or includes extracts of the auditee comments in the final report.**

NAO follow up system

- **The Financial and Compliance Audit Section, in its audit plans for subsequent years, takes into account outstanding issues for future follow-up audits.**

- **It also requests auditees, in its management letters, to indicate action to be taken to address shortcomings identified by NAO.**

- **The Performance Audit Section, on a periodic basis, identifies a number of past Performance Audits for a follow-up audit to ascertain whether audit findings in original reports have been addressed and whether relative recommendations have been taken on board.**
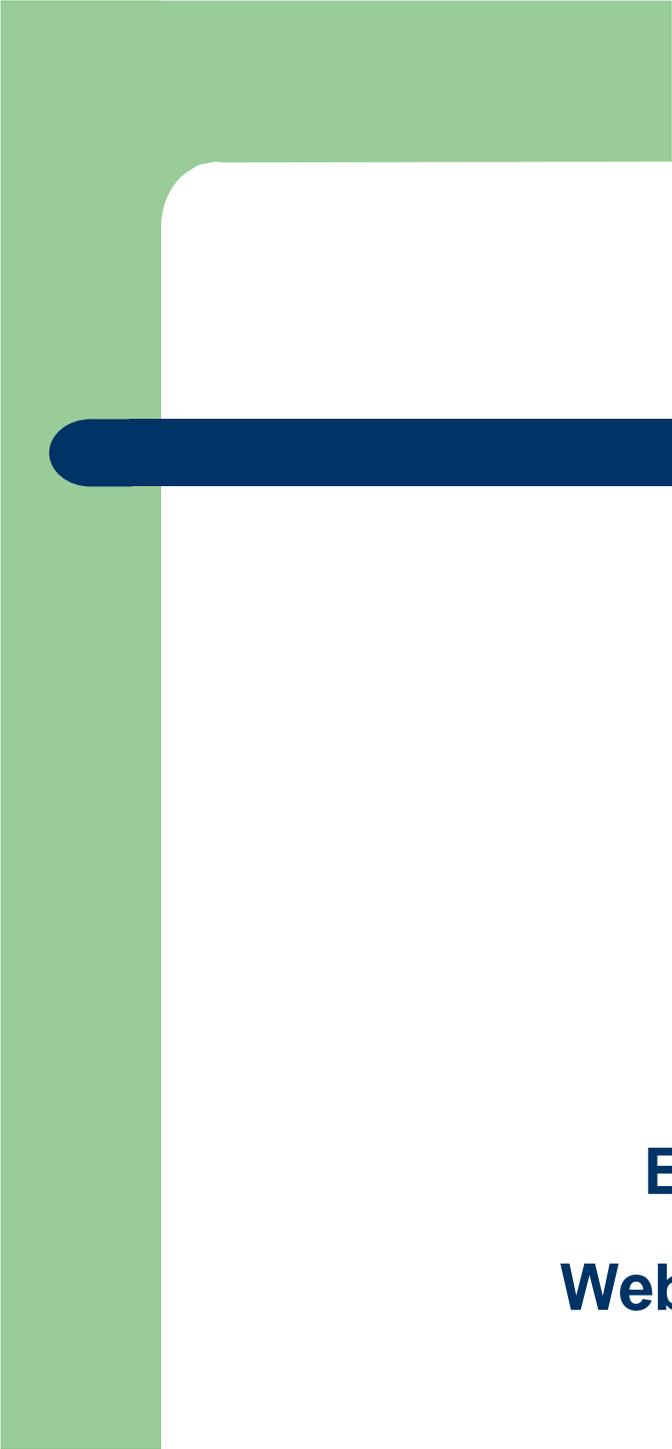
Thank you for your attention

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