
National Audit Office

Financial Estimates for the Financial Year 2024

for the National Audit Office Accounts Committee

Financial Estimates
for the
Financial Year 2024

4 October 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the years ending 31 December 2022, 2023 and 2024

	Notes	2022 Actual €	Approved Estimate €	2023 Revised Estimate €	Savings/ (Excess) €	2024 Proposed Estimate €
CONTINUING OPERATIONS						
Government subvention	4	3,900,000	4,200,000	4,200,000	-	4,000,000
Other income		9,645	3,000	3,000	-	3,000
Total operating revenue		3,909,645	4,203,000	4,203,000	-	4,003,000
Salaries and personnel expenses	5	2,873,260	3,227,000	2,975,000	252,000	3,192,000
Audit fees of local councils	6	312,700	313,000	313,000	-	313,000
Administrative and other expenses		275,296	322,554	328,088	(5,534)	288,488
Depreciation	7	91,892	145,000	114,000	31,000	168,000
Total operating expenses		3,553,148	4,007,554	3,730,088	277,466	3,961,488
Results from operating activities		356,497	195,446	472,912	277,466	41,512
Provision for service pensions and gratuities	8	18,213	(25,824)	(30,000)	(4,176)	(35,100)
Bank interest receivable		226	100	100	-	100
Surplus for the year		374,936	169,722	443,012	273,290	6,512

SUPPLEMENTARY STATEMENT
for the years ending 31 December 2022, 2023 and 2024

	2022		2023		2024
	Actual	Approved Estimate	Revised Estimate	Savings / (Excess)	Proposed Estimate
	€	€	€	€	€
SALARIES AND PERSONNEL EXPENSES					
Salaries	1,890,004	2,155,000	1,950,000	205,000	2,100,000
Bonuses	32,903	30,000	33,000	(3,000)	35,000
Social security contributions	149,235	162,000	152,000	10,000	162,000
Allowances	785,862	860,000	810,000	50,000	880,000
Overtime	15,256	20,000	30,000	(10,000)	15,000
	2,873,260	3,227,000	2,975,000	252,000	3,192,000
<i>Average Number of full time equivalents Employees</i>	58	61	58	3	63
ADMINISTRATIVE AND OTHER EXPENSES					
Utilities	20,837	21,000	22,000	(1,000)	24,000
Materials and supplies	4,436	4,000	6,000	(2,000)	6,000
Repairs and upkeep	47,389	55,000	50,000	5,000	50,000
Rent	13,138	13,138	13,138	-	13,138
International memberships	962	1,000	1,000	-	1,000
Office services	40,556	35,000	45,000	(10,000)	45,000
Transport	15,969	15,000	15,000	-	15,000
Travel	20,109	40,000	30,000	10,000	30,000
Information services	224	2,000	7,000	(5,000)	2,000
Contractual services	61,970	71,066	63,600	7,466	62,000
Professional fees	16,896	30,000	50,000	(20,000)	25,000
Training	13,944	30,000	20,000	10,000	10,000
Hospitality	18,540	5,000	5,000	-	5,000
Incidental expenses	326	350	350	-	350
	275,296	322,554	328,088	(5,534)	288,488

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022, 2023 and 2024

	Note	2022 Actual €	2023 Revised Estimate €	2024 Proposed Estimate €
ASSETS				
Property and equipment	7	275,900	451,900	608,900
Current Assets				
Debtors and prepayments		150,389	230,000	910,000
Cash and cash equivalents		849,083	896,253	89,265
		999,472	1,126,253	999,265
Total Assets		1,275,372	1,578,153	1,608,165
LIABILITIES				
Non-current liabilities				
Provision for service pensions and gratuities	8	194,563	162,963	134,723
		-	-	-
		194,563	162,963	134,723
Current liabilities				
Payables	9	508,631	400,000	450,000
Provision for service pensions and gratuities	8	59,521	59,521	61,261
		568,152	459,521	511,261
Total liabilities		762,715	622,484	645,984
Reserves				
Profit and Loss Account		512,657	955,669	962,181
Total liabilities and reserves		1,275,372	1,578,153	1,608,165

STATEMENT OF CHANGES IN RESERVES
for the years ending 31 December 2022, 2023 and 2024

	Profit and Loss Account
	€
Balance at 1 January 2022	137,721
Surplus for the year	374,936
Balance at 31 December 2022	512,657
Balance at 1 January 2023	512,657
Estimated surplus for the year	443,012
Balance at 31 December 2023	955,669
Balance at 1 January 2024	955,669
Estimated surplus for the year	6,512
Balance at 31 December 2024	962,181

STATEMENT OF CASH FLOWS

for the years ending 31 December 2022, 2023 and 2024

	Actual 2022	Revised Estimate 2023	Proposed Estimate 2024
	€	€	€
Cash flows from operating activities			
Surplus for the year	374,936	443,012	6,512
Non-cash Adjustments to reconcile surplus to net cash flows :			
Depreciation	91,892	114,000	168,000
Bank interest receivable	(226)	(100)	(100)
Provision for service pensions and gratuities	(18,213)	30,000	35,100
	448,389	586,912	209,512
Movement in debtors and prepayments	(41,310)	(79,611)	(680,000)
Movement in payables	49,733	(108,631)	50,000
Movement in provision for service pensions and gratuities	(61,604)	(61,600)	(61,600)
Cash generated from operating activities	395,208	337,070	(482,088)
Bank interest received	226	100	100
Net cash from operating activities	395,434	337,170	(481,988)
Cash flows from investing activities			
Purchase of property and equipment	(13,266)	(290,000)	(325,000)
Cash used in investing activities	(13,266)	(290,000)	(325,000)
Cash flows from financing activities			
Capital allocation from Government subvention	-	-	-
	-	-	-
Net increase in cash and cash equivalents	382,168	47,170	(806,988)
Cash and cash equivalents at 1 January	466,915	849,083	896,253
Cash and cash equivalents at 31 December	849,083	896,253	89,265

Notes to the Estimates for the years ending 31 December 2022, 2023 and 2024

1. REPORTING ENTITY

The National Audit Office (the “Office”) has been set up to:

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

2. BASIS OF PREPARATION

The Estimates have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU. Assets and liabilities are measured at cost, except for the provision for service pensions and gratuities, which is measured according to accounting policy detailed in note 3.6.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these estimates.

3.1 Government of Malta subventions

Subventions received from Government which constitute the main source of revenue for the National Audit Office are taken directly to the statement of profit or loss and other comprehensive income upon approval of the allocated amount by the Ministry for Finance.

3.2 Finance income

Finance income comprises interest receivable on bank balances and is recognised as it accrues.

3.3 Cash and cash equivalents

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

3.4 Other payables

Liabilities for other accounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services rendered, whether or not billed to the office.

Notes to the Estimates
for the years ending 31 December 2022, 2023 and 2024 ... *continued*

3. SIGNIFICANT ACCOUNTING POLICIES ... *continued*

3.5 Property and equipment

Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “other income” in profit or loss.

Subsequent costs

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

Depreciation

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

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

- Building improvements 10 years
- Office equipment 5 years
- Computer equipment and software 3 years
- Motor vehicles 5 years
- Fixtures and fittings 10 years

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

Notes to the Estimates

for the years ending 31 December 2022, 2023 and 2024 ... *continued*

3. SIGNIFICANT ACCOUNTING POLICIES ... *continued*

3.6 Provisions

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

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

4. GOVERNMENT SUBVENTION

4.1 Summary of Government Subventions throughout the years

Year	Amount approved by NAO Accounts Committee Parliament and authorised by Parliament	Amount withdrawn	Surplus for the Year	Number of Audit Reports Published	Average Staff Complement
	€	€	€	€	€
2018	3,400,000	3,400,000	221,428	17	60
2019	3,500,000	3,500,000	119,862	11	61
2020	3,800,000	3,600,000	87,304	19	64
2021	3,850,000	3,850,000	291,540	15	64
2022	3,900,000	3,900,000	374,936	14	63
2023	4,200,000	4,200,000	*443,012	*16	*64

* Estimate

Notes to the Estimates for the years ending 31 December 2022, 2023 and 2024 ... *continued*

4. GOVERNMENT SUBVENTION ... *continued*

4.2 Proposed Government Subvention for 2024

The National Audit Office Estimates for 2024 provide for a financial resource requirement of € 4,000,000 to maintain a planned staff complement of 69 staff (63 full time equivalents) and to cover the operational and capital costs commitments.

5. Salaries and personnel expenses

The anticipated staff complement for 2023 is expected to remain steady at 64 individuals (equivalent to 58 full time employees). In accordance with the provisions of the Collective Agreement (2017-2024) salaries across all grades are projected to increase by 3% compared to the previous year's figures in 2022.

For 2024, the Office has allocated a further 3% salary increase in line with the provisions of the Collective Agreement (2017-2024). Additionally, plans are in place to recruit seven more full-time personnel in the senior auditor grades. The target for the average staff complements in 2024 is set at 69 individuals (equivalent to 63 full-time employees) at a total cost of € 3,192,000.

6. Local Councils

The subcontracted audits for local councils relating to financial statements 2021-2023 have been awarded to two private audit firms by means of a public tendering in January 2022. The subcontracted audit local council costs for 2024-2024 are expected to remain unchanged at € 313,000.

Notes to the Estimates

for the years ending 31 December 2022, 2023 and 2024 ... *continued*

7. PROPERTY AND EQUIPMENT

	Building improvements	Equipment	Computer equipment and software	Motor Vehicles	Furniture and fittings	Total Cost
	€	€	€	€		€
As at 1 January 2022	803,509	130,280	221,104	116,358	161,553	1,432,804
Additions	-	6,953	5,158	-	1,155	13,266
Write-offs/disposals	-	(5,780)	(44,992)	-	-	(50,772)
At 31 December 2022	803,509	131,453	181,270	116,358	162,708	1,395,298
At 1 January 2023	803,509	131,453	181,270	116,358	162,708	1,395,298
Additions	200,000	20,000	20,000	15,000	35,000	290,000
At 31 December 2023	1,003,509	151,453	201,270	131,358	197,708	1,685,298
At 1 January 2024	1,003,509	151,453	201,270	131,358	197,708	1,685,298
Additions	150,000	20,000	135,000	-	20,000	325,000
At 31 December 2024	1,153,509	171,453	336,270	131,358	217,708	2,010,298
Depreciation	Building Improvement	Equipment	Computer equipment and software	Motor Vehicles	Furniture & Fittings	Total
	€	€	€	€	€	€
At 1 January 2022	528,287	114,932	197,913	88,442	148,704	1,078,278
Dep. charge for the year	50,088	7,414	19,850	11,959	2,581	91,892
Write-offs/Disposals	-	(5,780)	(44,992)	-	-	(50,772)
At 31 December 2022	578,375	116,566	172,771	100,401	151,285	1,119,398
At 1 January 2023	578,375	116,566	172,771	100,401	151,285	1,119,398
Dep. charge for the year	69,872	10,064	13,446	14,959	5,659	114,000
At 31 December 2023	648,247	126,630	186,217	115,360	156,944	1,233,398
At 1 January 2024	648,247	126,630	186,217	115,360	156,944	1,233,398
Dep. charge for the year	84,691	12,354	53,386	9,959	7,610	168,000
At 31 December 2024	732,938	138,984	239,603	125,319	164,554	1,401,398
Carrying Amounts:						
At 31 December 2024	420,571	32,469	96,667	6,039	53,154	608,900
At 31 December 2023	355,262	24,823	15,053	15,998	40,764	451,900
At 31 December 2022	225,134	14,887	8,499	15,957	11,423	275,900

Notes to the Estimates
for the years ending 31 December 2022, 2023 and 2024 ... *continued*

8. PROVISION FOR SERVICE PENSIONS AND GRATUITIES

	Actual 2022	Revised Estimate 2023	Proposed Estimate 2024
	€	€	€
<i>a) Balance Sheet Provision</i>			
Non-Current	194,563	162,963	134,723
Current	59,521	59,521	61,261
	<u>254,084</u>	<u>222,484</u>	<u>195,984</u>
<i>b) Movement in Provision</i>			
Service pensions and gratuities			
as at beginning of year	333,901	254,084	222,484
Provision made during year	(18,213)	30,000	35,100
Provision used during Year	(61,604)	(61,600)	(61,600)
	<u>254,084</u>	<u>222,484</u>	<u>195,984</u>

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

There are eleven persons who retired from the National Audit Office and receive a Treasury pension. There are no further persons eligible to pensions and gratuity rights as provided by the Pensions Ordinance.

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

The provision for service pensions and gratuities as at 31 December 2022 is arrived at by discounting the post-employment benefit obligations of the Office using the year end maturity of 3.5 % on 7% 2027 II Government bonds.

The post-employment benefits obligations are computed after taking into consideration the average life expectancy which is 80 years for males and 85 for females based on data published in the National Statistics Office Demographic review.

Notes to the Estimates

for the years ending 31 December 2022, 2023 and 2024 ... *continued*

8. PROVISION FOR SERVICE PENSIONS AND GRATUITIES ... *continued*

The provision for service pensions and gratuities as at 31 December 2022 is based on average life expectancy of 80 years for males and 85 years for females as per published data of the National Statistics Office.

The same assumptions were held for the workings of the provision for service pensions and gratuities for years ending 31 December 2023 and 2024.

9. PAYABLES

Due within 1 Year	€	€	€
Operational and capital payables	15,349	15,000	10,000
Accrued expenses	331,678	285,000	340,000
Treasury Pension	61,604	-	-
Deferred Government subvention on capital expenditure	100,000	100,000	100,000
	<u>508,631</u>	<u>400,000</u>	<u>450,000</u>

10. CAPITAL PROJECT

Since 2019, the National Audit Office has been advancing a capital building project in collaboration with a private contracted architect. The aim of the project is to provide a human resource centre, additional office space and multi-purpose meeting rooms for its staff.

Following discussions with the Ministry of Finance and Employment, the Ministry increased the subvention allocations in both 2020 and 2021 to facilitate the necessary research and permitting process.

In September 2021, the Office submitted the project designs to the Planning Authority. After receiving valuable feedback from interested third parties in the project, the architect in consultation, revised the designs. These revised plans were submitted to the Planning Authority in August 2023 with an estimated cost of €2 million.

Once the Planning Authority approves the necessary permits for the project, discussions with the Ministry of Finance and Employment for the capital project will resume.

The Office remains committed to delivering this important project to enhance its facilities and support its staff needs.

Annex 1: NAO Publications in 2023

Published between 1 January 2023 till 1 October 2023

- IT Audit: Active Ageing and Community Care
- Performance Audit: An assessment of capital projects at the University of Malta
- Performance Audit: Ensuring fair Non-Contributory Social Benefits and safeguarding against related fraud
- An audit of matters relating to the concession awarded to Vitals Global Healthcare by Government Part 3 | Steward Health Care assumes control of the concession
- Follow-up Audits Report I, 2023 issued by the National Audit Office
- IT Audit: Malta Food Agency
- NAO Annual Report and Financial Statements – 2022
- A review of the implementation of Sustainable Development Goal 2: Addressing pre-obesity and obesity

To be published between 1 October 2023 till 31 December 2023

- Finance & Compliance: Stocks and Inventory audit
- A review of the employment agreement of the Consultant to the Chief Executive Officer, Institute of Tourism Studies
- IT Audit: Follow-Up report on Local Government
- Performance Audit: National employment Authority- Detention and Enforcement of Irregular Employment
- SA&I: Catering outlet at the Malta Life Sciences Centre
- Annual Report on working of Local Government 2022
- Joint Audit: Government Leasing of Private Property Part I
- Annual Report on Public Accounts 2022